

India – UK Trade Relations and Societal Links: Way Forward

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Abstract

The economic relations between India and UK are dynamic as the society is evolving in consonance with the economic interests and perceptions of the people. India's trade with UK has expanded from USD 5 billion in 2001 to USD 11 billion in 2017 with lots of diversification in the structure of trade. The give and take scenario between the two nations is natural as India exports to UK are mainly focused on Consumer Goods, viz. nearly 65% of the total exports. On the other hand, nearly 80% of the total imports from UK are focused on raw materials, intermediate goods and capital goods. UK contributes a lot to the socio-economic development of the Indian society. The imports of raw materials, intermediate and capital goods from UK have actually fuelled in greater production possibilities in the Indian market, thereby creating wider demand and strengthening employment scenario.

On the investments perspective, UK is the 4th biggest investor with FDI of USD 26 billion flowed in India during April 2000 – December 2017. UK's share in India total FDI stood at 7%. On the flip side, India is the 3rd largest investor in UK and emerged as the 2nd largest international job creator with Indian companies having created over 110,000 jobs in the UK. Around 64% of the investments from India were channeled in UK through guarantees issued, followed by equity (28%) and loans (8%). Majority of the investments are in manufacturing sector in UK, followed by financial, insurance and business services; transport, storage and communication services; and retail and restaurants among others. Around 10% of the 800 Indian and India-focused companies based in the UK are listed on the London Stock Exchange.

The economic interests between the two nations have actually strengthened on the basis of expanding people to people relations between the two nations. The Indian Diaspora in UK is one of the largest ethnic minority communities in the country. According to 2011 census, around 1.5 million people of Indian origin were living in UK equating to almost 1.8% of the population and contributing to 6% of the UK's GDP. UK played a vital role in shaping the society of India, taking from infrastructure to fashion. For instance, in building and planning New Delhi, the British architect Edwin Lutyens shaped the city and others in India. Apart from infrastructure, education has been an important plank of the India-UK bilateral relationship.

On the back of deep and extensive linkages between the two nations, there is a huge scope in areas like education and skill development, smart cities and technological collaboration, advanced manufacturing and engineering among others. India's inordinate and skilled human capital highly aligns with the technological capabilities of UK whereas UK companies are competent in rendering infrastructural necessities to India, especially in logistics and construction sectors. Growth prospects for trade and development between two countries are very promising and sustainable, not only for the coming years but for the coming decades.

The present paper focuses on emerging dimensions in India – UK trade and societal links. The paper pertains to analyze the structure of trade and possibilities for further scope for diversification to meet up the societal demands for both the nations.

Keywords:Trade relations, Investments, Society, Developments, International Trade

JEL Classification:F21, F23

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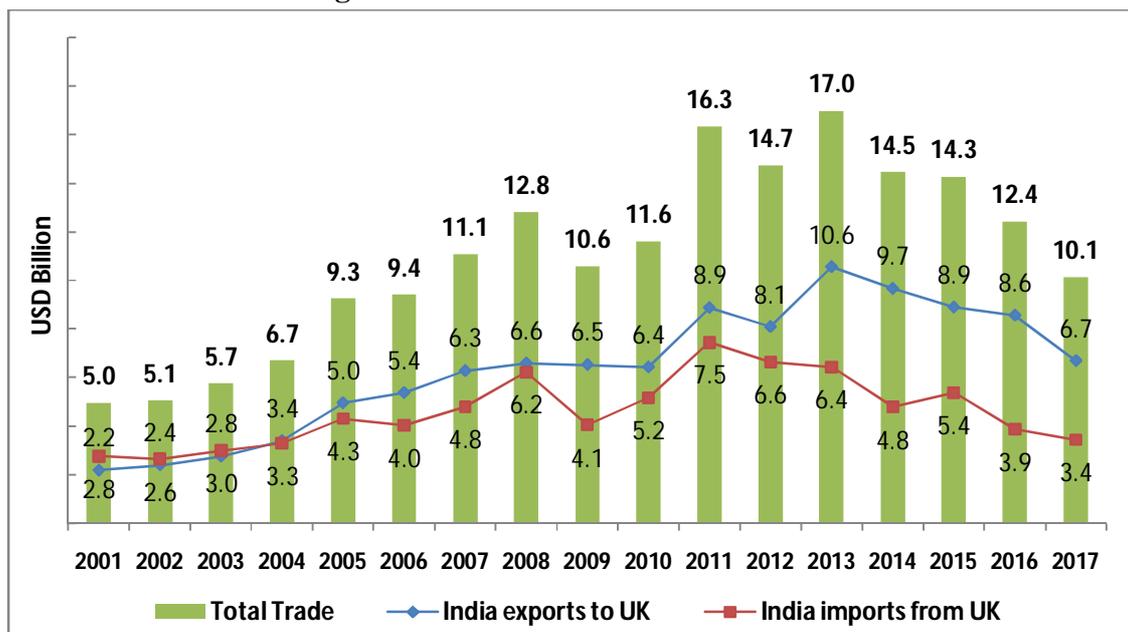
1.0 Introduction

India and the UK share a modern partnership bound by strong historical ties. The rapport between world’s largest democracy, viz. India, and world’s oldest democracy, viz. UK, can be defined as cordial and accentuating. India has continuously engaged in up-gradation of its existing relationship with UK, from mere bilateral trade partners to close strategic partners. Both the nations have sought to establish fundamental principles framework to further deepen the cooperation.

2.0 Trade Dynamics

Economic relations between the two nations are dynamic as the society is evolving in consonance with the economic interests and perceptions of the people. India’s trade with UK has expanded from USD 5 billion in 2001 to USD 10.1 billion in 2017.

Figure 1: India –UK Trade at a Glance



Source: PHD Research Bureau; Compiled from Trademap Database

Of the total trade between India and UK, India exported around 7 billion to UK whereas imported around USD 3.4 billion during 2017. India’s exports to UK grew from USD 2.2 billion in 2001 to USD 6.7 billion in 2017 whereas, India’s imports from UK grew from USD 2.8 billion to USD 3.4 billion during the same period.

Table 1: Share Scenario between India and UK

	2001	2005	2010	2017
UK's share in India's imports	5.4%	3.1%	1.5%	1.0%
India's share in UK's imports	0.6%	0.9%	1.0%	1.0%

Source: PHD Research Bureau; Compiled from Trademap Database

Interestingly, UK's share in India's imports has witnessed a consistent decline. UK's share in India has actually dropped from 5.4% in 2001 to 1% in 2017, whereas India's share in UK's imports have witnessed a slight rise from 0.6% in 2001 to 1% in 2017.

Table 2: India's export scenario based on state of processing during 2017

Country	Raw Materials	Intermediate goods	Consumer goods	Capital goods
UAE	5.2%	28.8%	56.4%	9.6%
Switzerland	1.5%	61.8%	18.0%	18.8%
China	25.9%	48.1%	13.4%	12.5%
Germany	4.2%	23.9%	53.2%	18.8%
UK	5.2%	15.0%	64.1%	15.7%
Indonesia	18.8%	39.1%	14.6%	27.5%
Iraq	14.0%	6.9%	72.6%	6.5%
South Korea	6.3%	58.0%	25.1%	10.5%
Saudi Arabia	11.5%	22.6%	55.8%	10.1%
USA	5.8%	30.6%	52.7%	10.9%

Source: PHD Research Bureau; Compiled from World Integrated Trade Solutions (WITS)

Majority of the exportable goods from India to UK are focused in the consumer goods segments, viz. nearly 65%. The rest, viz. Raw materials, intermediate goods, and Capital goods, comprised only 35% of the share. The trend in the basket of goods, based on level of processing, has remained consistent for a long time.

Table 3: India's import scenario based on state of processing during 2017

Country	Raw Materials	Intermediate goods	Consumer goods	Capital goods
UAE	58.2%	26.9%	12.9%	2.0%
Switzerland	0.6%	92.0%	2.7%	4.7%
China	1.0%	28.7%	15.5%	54.9%
Germany	1.8%	26.2%	15.2%	56.8%
UK	17.6%	29.2%	21.0%	32.2%
Indonesia	46.7%	32.2%	15.9%	5.1%

Iraq	99.7%	0.2%	0.2%	0.0%
South Korea	1.6%	45.0%	13.2%	40.2%
Saudi Arabia	71.2%	18.1%	8.8%	2.0%
USA	11.5%	42.9%	13.9%	31.6%

Source: PHD Research Bureau; Compiled from World Integrated Trade Solutions (WITS)

Conversely, basket of import from UK has gradually shifted from raw materials to intermediate goods. In 2007, nearly 37% of the imports from UK comprised of raw materials; followed by capital goods and intermediate goods, each held share of 27%. After 11 years, capital goods captured the majority share in overall imports from UK to India, viz. 32%, followed by 29% share of intermediate goods, 21% share of consumer goods, and 18% of raw materials.

Table 4: India's top ten imports from UK (2017)

HS Code	Product Description	India imports from UK	Share in imports from UK	Share in imports from World
		(USD Million)	(%)	(%)
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	603.8	17.6%	1.1%
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	495.5	14.4%	1.8%
'76	Aluminium and articles thereof	259.8	7.6%	7.9%
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	237.1	6.9%	0.7%
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	233.7	6.8%	3.6%
'72	Iron and steel	186.1	5.4%	2.4%
'22	Beverages, spirits and vinegar	173.6	5.1%	32.5%
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	99.9	2.9%	2.3%
'39	Plastics and articles thereof	82.9	2.4%	0.8%
'88	Aircraft, spacecraft, and parts thereof	78.9	2.3%	1.7%
Top ten products		2451.329	71.4%	1.6%
Rest of the products		983.659	28.6%	0.5%

Total imports from UK	3434.988	100.0%	1.0%
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Source: PHD Research Bureau; Compiled from Trademap Database

Top imported items from UK comprised of natural pearls and precious stones (17.6%), followed by machinery and mechanical appliances (14.4%), aluminum (7.6%), electrical machinery and equipment (6.9%) among others. Interestingly, beverages, spirits and vinegar imports from UK form a significant share in the overall imports from world. Around 33% of the imports of beverages, spirits, and vinegar in India are from UK.

Table 4: India's top ten exports to UK (2017)

HS Code	Product Description	India's exports to UK	Share in UK's imports from India	Share in UK's imports from world
		(USD million)	(%)	(%)
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	723.95	10.8%	0.9%
'61	Articles of apparel and clothing accessories, knitted or crocheted	639.22	9.5%	5.1%
'62	Articles of apparel and clothing accessories, not knitted or crocheted	574.56	8.6%	4.9%
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	354.95	5.3%	0.7%
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	324.61	4.8%	0.4%
'30	Pharmaceutical products	321.00	4.8%	1.0%
'64	Footwear, gaiters and the like; parts of such articles	300.09	4.5%	4.4%
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	272.53	4.1%	1.5%
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	241.13	3.6%	0.4%
'73	Articles of iron or steel	211.68	3.2%	2.4%
Top ten exports		3963.72	59.2%	1.1%
Rest of the products		2730.22	40.8%	0.4%
India's total exports to UK		6693.94	100.0%	1.0%

Source: PHD Research Bureau; Compiled from Trademap Database

Among top exported items to UK, Apparels and clothing accessories, both knitted and non-knitted, attained the top position. Approximately, 20% of the Indian exports to UK are in the form of apparels and clothing accessories. It is followed by machinery (10.8%), natural pearls and precious stones (5.5%), and others.

Other top products exported by India to UK's market include vehicles, footwear, pharmaceuticals, iron and steel articles. It can also be highlighted that around 10% of the overall UK's import demand for apparels and clothing accessories is fulfilled by India. Similarly, around 4% of the UK's import demand of footwear is fulfilled by India.

The give and take scenario between the two nations is natural as India exports to UK are mainly focused on Consumer Goods, viz. nearly 65% of the total exports. On the other hand, nearly 80% of the total imports from UK are focused on raw materials, intermediate goods and capital goods. Although the trend in India's exports to UK has remained in favour of consumer goods during the post-brexite referendum, India's import from UK underwent dramatic shift from raw materials to intermediate goods recently indicating an intensified presence of UK in India's development story.

Table 5: UK's top imports from the World and significance of India

HS Code	Product Description	UK imports from World (USD billion)	Top 3 exporters to UK (%)	India's exports to UK, India's share (USD billion, %)	India's exports to world (USD Billion)	India's top 3 export destinations (%)
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	79.7	USA, Germany, China (50.3%)	0.87, 1.10%	12.7	USA, Germany, UK (30%)
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	73.3	Germany, Belgium, Spain (57%)	0.27, 0.40%	12.4	Mexico, USA, Bangladesh (29%)
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	60.0	China, Netherlands, Germany (45.5%)	0.31, 0.50%	6.6	USA, UAE, Germany (27%)
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	51.8	Norway, Netherlands, Russia (56.3%)	0.65, 1.20%	25.2	Singapore, UAE, USA (36.2%)

'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	49.6	Canada, South Africa, USA (45.5%)	0.65, 1.30%	30.4	Hong Kong, UAE, USA (83%)
'30	Pharmaceutical products	33.1	Netherlands, Germany, Ireland (50.5%)	0.44, 1.30%	9.7	USA, South Africa, UK (42.4%)
'39	Plastics and articles thereof	18.4	Germany, Belgium, China (42.5%)	0.17, 0.90%	4.5	USA, China, UAE (25%)
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	17.8	USA, Germany, Netherlands (45.4%)	0.32, 1.80%	2.2	USA, UK, Germany (35%)
'88	Aircraft, spacecraft, and parts thereof	14.9	USA, France, Germany (73.8%)	0.13, 0.90%	1.6	USA, Singapore, France (56.3%)
'61	Articles of apparel and clothing accessories, knitted or crocheted	12.5	China, Bangladesh, Turkey (46.2%)	0.79, 6.30%	6.1	UAE, USA, UK (53.5%)

Source: PHD Research Bureau; Compiled from Trademap database

UK's top imports from the world includes machinery, vehicles, electrical equipments, mineral fuels, natural pearls and stones, pharmaceutical products, among others. Astoundingly, India's presence in UK's top ten imports is relatively weak compared to other major economies. India's presence in Machinery products in UK is just 1.1% compared to 22.5% of USA. In vehicles and plastics, Germany has been the major exporter to UK wherein Germany's share stood at 37% and 21%, respectively, compared to India's 0.4% and 0.9%.

Interestingly, India has a weak presence in natural and cultured pearls, and pharmaceutical products in UK despite holding tremendous competitiveness globally. India's share in natural pearls and pharmaceuticals stood at 1.3% in each of the categories, wherein Canada's share in UK's natural pearls imports stood at 22% and Netherlands's share in UK's pharma imports stood at 23% during 2017. On the apparels

import, India has a strong presence wherein UK imports around 6.3% of the total apparel imports from World. However, compared to China's share of 22.2% it is meagre.

Therefore, it indicates remarkable scope of growth for India to enhance its presence in the aforementioned categories in the coming years.

Table 6: India's top imports from the World and significance of UK

HS Code	Product Description	India's imports from World (USD billion)	Major exporters to India (%)	UK's exports to India, UK's share (USD billion, %)	UK's exports to world (USD Billion)	UK's top 3 export destinations (%)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	91.43	Saudi Arabia, Iraq, UAE (33%)	0.03, 0.01%	34.9	Netherlands, China, Belgium (49%)
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad . . .	56.81	Switzerland, UAE, Hong Kong (49%)	0.61, 1.10%	33.2	Switzerland, Turkey, Hong Kong (61%)
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	35.63	China, South Korea, USA (70%)	0.24, 0.70%	28.4	USA, Germany, France (30%)
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	27.24	China, USA, Germany (58.3%)	0.5, 1.80%	67.8	USA, France, Germany (35%)
29	Organic chemicals	13.75	China, Saudi Arabia, Singapore (54%)	0.06, 0.40%	10.4	USA, Germany, Netherlands (48%)
39	Plastics and articles thereof	10.19	China, South Korea, Saudi Arabia (35%)	0.083, 0.40%	12.1	Germany, Ireland, France (35%)
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal . . .	8.97	Indonesia, Argentina, Ukraine (77.3%)	0.0001, 0.00%	0.84	Netherlands, China, Ireland (53%)

72	Iron and steel	7.87	South Korea, China, Japan (50%)	0.19, 2.40%	6.9	Turkey, Spain, Germany (41%)
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	6.43	China, USA, Germany (51%)	0.24, 3.60%	18	USA, Germany, France (36%)
88	Aircraft, spacecraft, and parts thereof	4.74	France, USA, Oman (80%)	0.079 1.70%	21.1	Germany, France, USA (59%)

Source: PHD Research Bureau; Compiled from Trademap database

UK's share in India's top ten imports is less than 1% during 2017. India's top ten imports from world include mineral fuels, natural pearls, electrical equipment, mechanical appliances, organic chemicals, plastics, fats and oils, iron and steel, among others. In mineral fuels, fats and oils, plastic products, organic chemicals and electrical machinery, UK's share in India's imports are nearly 0.

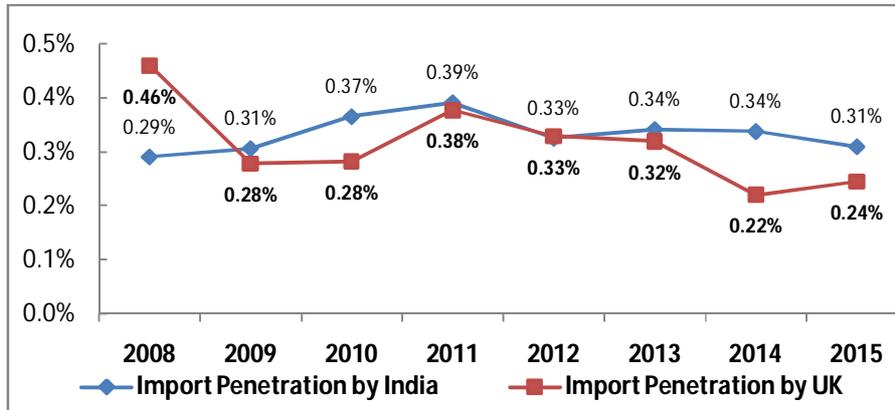
Some of the UK's major export items coincide with India's major import items such as Machinery, Mineral fuels, natural and cultured pearls among others. UK has tremendous scope to enhance its presence in the Indian market in the aforementioned products.

3.0 Bilateral Trade Analysis and Interpretation

3.1 Import Penetration (IP) rate: Import Penetration (IP) Rate examines the degree of domestic demand (the difference between GDP and net exports) is satisfied by imports. It is also termed as self-sufficiency ratio at the sectoral level. At bilateral level, it is the ratio of total imports from trade partner to domestic demand, as a percentage. It provides a broad scenario of the degree of vulnerability to certain types of shocks in the partner's economy. IP rate lies between 0 (no imports) to 100%¹ (when all domestic demand is satisfied by imports only) – a case of no-domestic production.

Figure 2: Rate of Import Penetration of India and UK in each other's economies

¹During application, Index can go beyond 100% if re-exports are not accounted for.

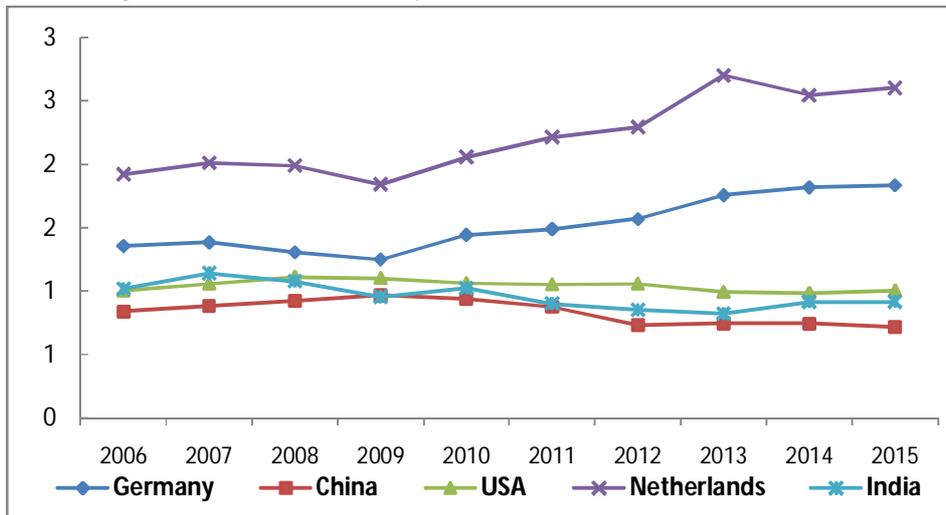


Source: PHD Research Bureau

Based on the import penetration chart, India's penetration in UK's economy is comparatively more than UK's penetration in Indian economy. However, the import penetration by UK in India has witnessed a surge in the recent few years. India's penetration rate in UK has hovered in the range of 0.3% – 0.4%. Due to low penetration rate, the impact of Brexit was at its minimal in India.

3.2 Trade Intensity Index (TII): Trade Intensity Index (TII) is a uniform export share that describes whether a country exports more or less to a destination than world does on average. TII value greater than 1 indicates an intense trade relationship, or significant presence of exporter nation in importer's market.

Figure 3: Trade Intensity Index of various countries in UK

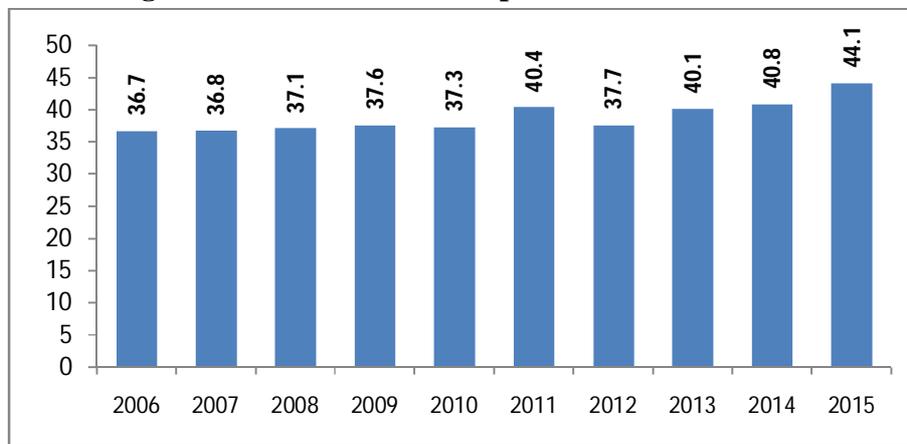


Source: PHD Research Bureau

It is quite clear from the chart above that compared to Netherlands and Germany, India's presence in UK is at the lower side. Even other top exporters in UK such as China and US, are not able to create a significant presence in UK. However, India's TII has been gradually and consistently growing over the years.

3.3 Trade Complementarities Index: Trade Complementarities Index (TCI) is a nuanced overlap index wherein the index exhibits the degree of alignment of export pattern of one country with the import pattern of its partner's country. A high degree of TCI assumed to indicate more favourable prospects for a successful trade arrangement.

Figure 3: India's Trade Complementarities with UK

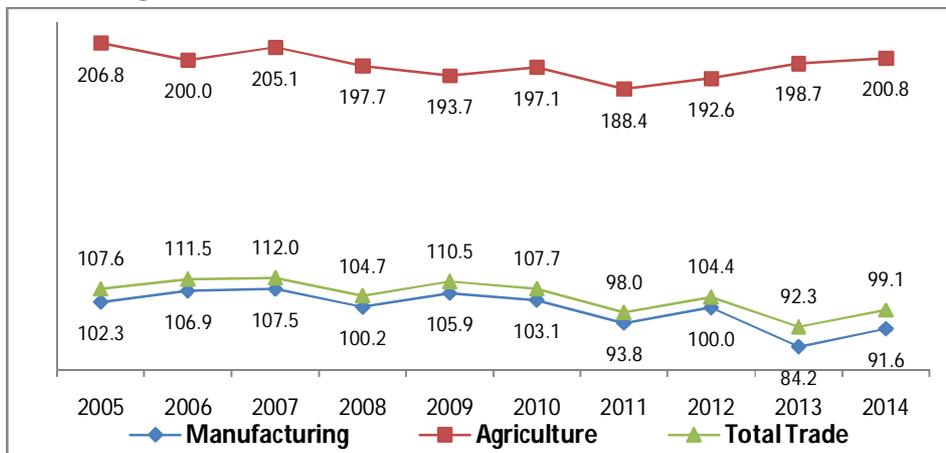


Source: PHD Research Bureau

It is quite evident from above that India's export pattern is increasingly in tandem with UK's import pattern. In case of lower trade barriers, Indian exports have rising growth prospects in UK's market. Over the years, the pattern of products exported by India has become more and more aligned with the pattern of products that UK imports from the world.

3.4 Trade Cost Scenario: Trade cost analysis provides an optimal viewpoint to access the overall cost as a percentage of overall export, which is incurred during trade between two nations. Trade costs are the price equivalent of the reduction of international trade compared with the potential implied by domestic production and consumption in the origin and destination markets. Higher bilateral trade costs result in smaller bilateral trade flows.

Figure 4: Advalorem Trade Cost between India and UK

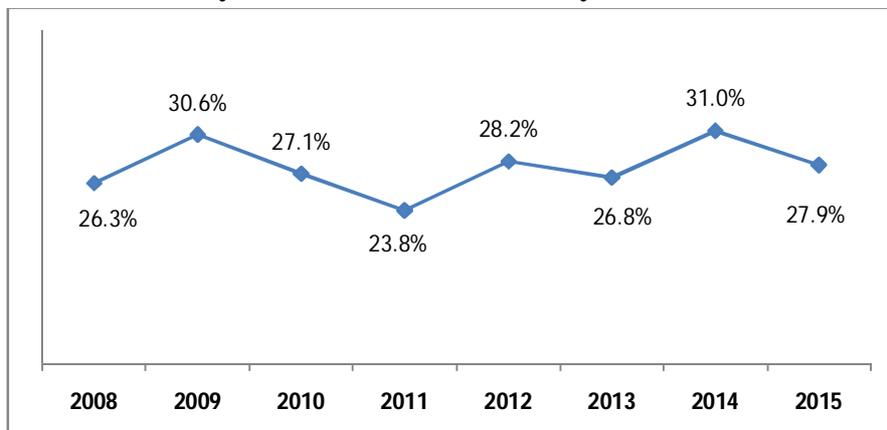


Source: PHD Research Bureau

The major impediment faced by Indian products is from the category of Agricultural products. On an average, agricultural products face a staggering 200% of trade cost. On the other side, manufacturing products face one of the lowest trade cost, viz. around 92% in 2014. In a nutshell, at an aggregate level, trade cost has witnessed a sudden surge in 2014 primarily on the back of rising agricultural trade cost and abrupt rise in manufacturing trade cost as well.

3.5 Grubel – Lloyd Index (GLI): Grubel – Lloyd Index (GLI) is an indicator to measure the scale of intra-industry trade between nations. Nations can hugely benefit from intra-industry trade due to exploitation of economies of scale. GLI lie between 0 and 100%, wherein 0 indicates pure inter-industry trade and 100% indicates pure intra-industry trade. Adjustments are made if there are any total trade imbalances in a country.

Figure 5: Grubel – Lloyd Index of Intra – Industry Trade between India and UK

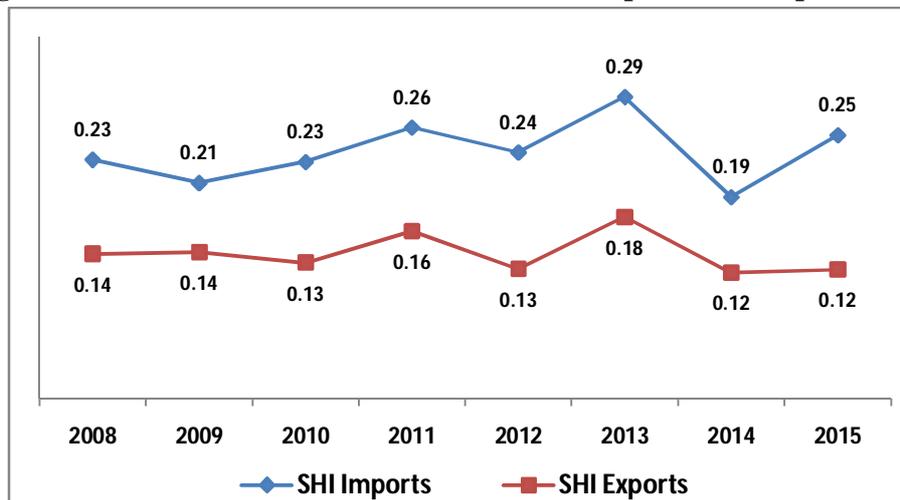


Source: PHD Research Bureau

India and UK's intra industry trade have remained on the moderate side. Although, satisfactory performance at IIT level, trend in adjusted GLI suggests a significant drop since 2008. Based on the adjusted GLI numbers, around 27.9% of the trade is intra-industry trade form in 2015. Intra-industry trade between India and UK, however, witnessed a drop in rate from 31% in 2014. To develop trade further, it is essential for both the nations to continuously indulge in high intra-industry trade to exploit the economies of scale.

3.6 Sectoral Hirschman Index: Sectoral Hirschman Index (SHI) indicates the sectoral concentration of a region's exports. It describes the degree to which a nation's exports are dispersed across different economic activities. SHI lie between 0 and 1 wherein value closer to 1 indicates that exports are concentrated in fewer sectors.

Figure 6: Sectoral Hirschman Index of India's exports and imports to UK



Source: PHD Research Bureau

Compared to imports from UK, India's exports are more diversified. Although both imports and exports from UK are on the lower plane for degree of concentration, imports witnessed a plummet in diversification in the basket of products from UK. Thus, imports from UK are relatively more focused on fewer products than India's export to UK.

The crux of the above trade analysis suggest that there lies huge potential of growth in trade between India and UK, on the back of rising trade complementarities, intensity and moderation in trade costs. To further trade prospects, a serious attempt has to be made by both nations to develop intra-industry trade, viz. continuously engage in trading of products from similar industries.

4.0 Investment Scenario between India and UK

During the launch of the marquee “Make in India” campaign, Hon’ble Prime Minister of India Mr. Narendra Modi asserted that FDI is a responsibility of Indians and an opportunity for the world. The definition of FDI, in his dictionary, for the people of India is ‘First Develop India’. Undoubtedly, collaboration of India and UK in the realm of investment and business can truly transform both the nation’s entrepreneurial ecosystem.

On the investments perspective, UK is the 4th biggest investor with FDI of USD 26 billion flowed in India during April 2000 – December 2017. UK’s share in India total FDI stood at 7%.

On the flip side, India is the 3rd largest investor in UK and emerged as the 2nd largest international job creator with Indian companies having created over 110,000 jobs in the UK. Around 64% of the investments from India were channeled in UK through guarantees issued, followed by equity (28%) and loans (8%). Majority of the investments are in manufacturing sector in UK, followed by financial, insurance and business services; transport, storage and communication services; and retail and restaurants among others. Around 10% of the 800 Indian and India-focused companies based in the UK are listed on the London Stock Exchange.

According to the UK Trade and Investment (UKTI) in the Inward Investment Annual Report 2015-16, Indian companies created 127 FDI projects in the UK in 2016-17, and created 3,999 new jobs and safeguarded 7,645 jobs. Undoubtedly, collaboration of India and UK in the realm of investment and business can truly transform both the nation’s entrepreneurial ecosystem.

The economic interests between the two nations have actually strengthened on the basis of expanding people to people relations between the two nations. The Indian Diaspora in UK is one of the largest ethnic minority communities in the country. According to 2011 census, around 1.5 million people of Indian origin were living in UK equating to almost 1.8% of the population and contributing to 6% of the UK’s GDP.

UK played a vital role in shaping the society of India, taking from infrastructure to fashion. For instance, in building and planning New Delhi, the British architect Edwin Lutyens shaped the city and others in India. Apart from infrastructure, education has been an important plank of the India-UK bilateral relationship. Over the last 10 years, the relationship has grown substantially with the introduction of bilateral mechanisms such as the India-UK Education Forum, UK-India Education and Research Initiative

(UKIERI), Joint Working Group on Education, Newton - Bhabha Fund and Scholarship schemes.

5.0 Conclusion

India and UK relationship is bound by long history. India holds the position of being the fastest expanding economy in the world at 7.6% in FY 2016-17. Indian exports into UK are mainly focused on Consumer Goods, viz. nearly 65% of the total exports. On the other hand, nearly 43.5% of the total imports from UK are focused on Intermediate goods.

Although the trend in India's exports to UK has remained in favour of consumer goods over the years, India's import from UK underwent dramatic shift from raw materials, viz. 36.5% of the overall imports from UK during 2007, to intermediate goods, viz. 43.5% presently.

India's penetration in the UK's market has remained consistent, UK's penetration rate revealed signs of substantial revival in the recent past. Also, Indian products hold significant footprint in the UK's market based on the intensity index of India in UK. India's export pattern has become more and more aligned with the import pattern of UK over time. Both nations witnessed a favorable complementarities scenario, which exhibits substantial potential trade gains for both the nations.

Also, the basket of exportable products from India remained opulently diversified compared to the importable basket from UK over time, thereby rendering Indian exporters relatively less susceptible to volatility in a turbulent trade scenario.

It has been indicated by Grubel-Lloyd Index that India-UK trade emanates lower than expected intra-industry trade figures and to push trade further, both nations must engage in higher intra-industry trade in the medium to long run. Also, it is essential to reduce the exorbitant trade cost between India and UK for agricultural products to provide that much needed impetus to the agrarian exports.

With further liberalization of FDI policy in different segments and the advent of GST, FDI from UK is expected to touch a new growth trajectory. Undoubtedly, collaboration of India and UK in the realm of investment and business can truly transform both the nation's entrepreneurial ecosystem.

Going ahead, it is essential for both the parts to become proactive and prompt in finalizing the bilateral agreement to rejuvenate the existing bilateral trade between India and UK. Both nations should continuously meet and engage in discussions related to mitigating bilateral trade issues, defense ties, renewable energy, skill development and other vital areas.

On the back of deep and extensive linkages between the two nations, there is a huge scope in areas like education and skill development, smart cities and technological collaboration, advanced manufacturing and engineering among others. India's inordinate and skilled human capital highly aligns with the technological capabilities of UK whereas UK companies are competent in rendering infrastructural necessities to India, especially in logistics and construction sectors. Growth prospects for trade and development between two countries are very promising and sustainable, not only for the coming years but for the coming decades

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