

# **BREXIT AND INDIA**

## **Analysing the Implications**



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## **Analysing the Implications**

**Editor**  
**Sandeep Kaur Bhatia**



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## Foreword

The increasing interconnected global economy complemented with lowering of trade barriers, improved transportation links, information technologies and the emergence of global value chains has dramatically transformed international trade. With the rapid growth in innovation and transferability of technology, the global economy will witness further integration and interconnectedness. While national governments will continue to be relevant, national policies and decisions will be greatly influenced by external factors related to the impacts of globalisation. Among external factors the most dominant with long term implications for India are Brexit and the Trump presidency. Any developments on any of these are bound to have implications for the Indian economy given the long-standing relationship India shares with the United Kingdom (UK) and United States of America (USA).

This book addresses Brexit and examines the possible impacts of Brexit on the global economy focussing, in particular, on India. The discourse delves into themes relevant for UK-India relationship. It discusses UK bilateral trade (merchandise and services), foreign direct investment, migration, remittances, trade agreements, financial markets, India-UK Higher Education sector and currency volatility during and post Brexit. Both empirical and theoretical discussions elaborate on these topics. The collection suggests measures to address the impact of Brexit from an Indian perspective. Among others, these include the possibility of exploring new trade agreements with regions such as emerging East and South Asia.

The book is topical in suggesting that actively planning a 'Brexit roadmap' by India is vital to ensure an orderly relationship with the UK post-Brexit after 2019. The timeliness is useful, given that at this time information is still relatively scarce on how leaving the European Union will affect the UK and Indian economy. Some sectors are likely to be more sensitive to the impact of Brexit, others less. A lot will depend on the nature of the final agreement of the UK with the EU.

Finally, the book is an informative and well researched piece that offers useful information and analyses the UK-India relationship in the context of Brexit.

I congratulate Dr. Sandeep Kaur Bhatia and her team for commendable work in putting together a book on such a topical theme in a short time frame. I wish her and the team all success in their endeavours.

**Professor Sangeeta Khorana**  
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**United Kingdom**

## Acknowledgments

**T**his book is an outcome of the National Seminar “Brexit and India: Analyzing the Implications” which was held on 17th and 18th March 2017 at Centre for Economic Studies, Central University of Punjab Bathinda, India. Participants from various parts of the country deliberated upon the theme and made a valuable contribution. The participants not only discussed the various aspects of the theme, but also suggested the way forward on managing the impact of Brexit on Indian economy.

First of all, I would like to thank God Almighty for giving me strength and capability to proceed this task successfully. This milestone can be possible only with the help of His blessings. I am greatly thankful to our Chancellor Prof. S.S. Johl, Vice Chancellor Prof. R.K. Kohli, Ex Vice Chancellor Prof. Jai Rup Singh, Dean Academic Affairs Prof. P. Ramarao, Dean Student Welfare Prof. Ashok Dawan and Dr. S.K Bawa for their unwavering coordination and support. And more importantly for the liberty provided and the trust reposed in me.

I would like to express my gratitude to all those who made this event successful, and presented their work to disseminate the valuable information. Their important and much-needed work will be locked down in this book which will serve as a spring of knowledge and information on this very emerging topic in general and for Indian economy in particular.

I will never forget the guests and dignitaries of the event Professor Gurmail Singh, Professor Sucha Singh Gill and Professor Jaswinder Singh Brar. The great personalities from their expertise furnished their experience and treasured knowledge from the historical background of the European Union (EU) and causes of Britain exit from EU and analyzed the possible implications of Brexit on Indian economy. Next, I thank cordially the funding organization, Indian Council of Social Science Research (ICSSR) for sponsoring this event. I am indebted to the Central University of Punjab-Bathinda, for providing all the available facilities and support needed from the very beginning.

I acknowledge the blessings of my late grand parents with the help of that, this landmark can be accomplished. I am indebted to my father S. Surjit Singh for teaching me hard work with honesty and to my mother Mrs. Bhupinder Kaur, who believed in me always.

I am also grateful to my colleagues and friends Dr. Amandeep Singh Brar, Dr. Neetu Purohit, Dr. V.J. Varghese and Er. Meenakshi Mittal who contributed in their respective capacities to the success of this milestone. I must also place special thanks to the publisher, New Delhi for bringing out this edited volume in a professional manner.

This could not have reached its milestone without the timely and quick support of Mohd. Fayaz and Nadeem Ahmad who have acted as the foundation stone for the compilation of this book. I feel enormously grateful to my team Gulshan Farooq, Zahid ul Islam, Harpreet Singh, Mandeep Bhardwaj, Parmjeet Kaur, Manpreet Kaur and Mr. Pushp Kumar for their extended support and appreciable contribution. My heartiest thanks and congratulations go to all contributors and students of our centre for their impressive job by performing all the assigned duties well on time. Last and not least: I beg pardon from all those who have been with me over the course but, whose names I failed to mention.

I present this volume to readers with the hope that it would contribute to the ongoing debate on the future of the India and the UK.

**Sandeep Kaur Bhatia**

## Abbreviations

Abbreviation	Full form
ACP	Africa, Caribbean, and Pacific
AIFTA	Asian-India Free Trade Area
ASEAN	Association of Southeast Asian Nations
APEDA	Agricultural and Processed Food Products Export Development Authority
BIS	Business, Innovation and Skills
BITs	Bilateral Investment Treaties
BRCA	Bilateral Revealed Comparative Advantage
BREXIT	Britain Exit
BTIA	Bilateral Trade and Investment Agreement
CAGR	Compound Annual Growth Rate
CBI	Confederation of British Industry
CCA	Commercial Cooperation Agreement
CCP	Common Commercial Policy
CEO	Chief Executive Officer
CIM	Minister of Commerce and Industry
CPI	Consumer Price Index
DIPP	Department of Industrial Policy and Promotion
DISP	Defence International Security Partnership
EEA	European Economic Area
EEC	European Economic Community.
EFD	Economic and Financial Dialogue
EFPIA	European Federation of Pharmaceuticals Industries and Association
EII	Export Intensity Index
EPI	Import Dependency Index (IDI) and Export Propensity Index
ESI	Export Similarity Index
EU	European Union
FICCI	Federation of Indian Chambers of Commerce and Industry
FDI	Foreign Direct Investment
FII	Foreign Institutional Investment

FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GLI	Grubel-Lloyd Index
GOI	Government of India
GPA	Government Procurement Agreement
GSP	Generalized System of Preference
GST	Goods and Service Tax
HDI	Human Development Index
HHI	Herfindahl-Hirschman Index
HS	Harmonized Commodity
ICSSR	Indian Council of Social Science Research
III	Import Intensity Index
IDI	Import Dependency Index
IIT	Intra-Industry Trade
ILO	International Labour organization
IMF	International Monetary Fund
IMRB	Indian Market Research Bureau
IPR	Intellectual Property Rights
IT	Information Technology
IUKFP	India-UK Financial Partnership
JETCO	Joint Economic and Trade Committee
MFA	Multi-Fiber Arrangement
MFN	Most Favoured Nations
MNC	Multinational Companies
MoU	Memorandum of Understanding
NASSCOM	National Association of Software and Services Companies
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
PPP	Purchasing Power Parity
PTA	Preferential Trade Agreements
PWC	Price Waterhouse Coopers
RBI	Reserve Bank of India
RCA	Revealed Comparative Advantage
RCEP	Regional Comprehensive Economic Partnership
ROO	Rules of Origin
SAARC	South Asian Association for Regional Cooperation
SIA	Sustainability Impact Assessment

SMEs	Small and Medium Enterprises
SPS	Sanitary and Phyto-Sanitary
TBT	Technical Barriers to Trade
TC	Trade Creation
TCI	Trade Complementarity Index
TCS	Tata Consultancy Services
TII	Trade Intensity Index
TD	Trade Diversion
TPPA	Trans-Pacific Partnership Agreement
UKIBC	UK-India Business Council
UKIERI	United Kingdom India Education Research Initiative
UKTI	UK Trade and Investment
UNCTAD	United Nations Conference on Trade and Development
VIIT	Vertical Intra-Industry Trade
WEF	World Economic Forum
WITS	World Integrated Trade Solution
WTO	World Trade Organization





## About the Contributors

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## Welcome Remarks

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**B**rexit as a vital topic and in coming days will be discussed at all the possible levels, because it may turn out to be a watershed in the international relations. At the very early level, it is complicated to unravel the whole idea of Brexit and its possible impact. Since it is entirely a novel sort of development at the global level. Maybe at a long history, we had seen such kind of incident where a formally well integrated and well functioned institutionalized system is going to change as one of the major member is coming out. On the other side attempts are being made to unify the countries to share mutual benefits from trade, investment and other related services.

To understand the cause and effect of Brexit, we need to understand the formation of European Union (EU) in the post-war era. Thereafter it is imperative to know about the whole scenario of UK's joining and exit from EU and an individual referendum going on and post-referendum situations like world trade situations, contemporary intuitions and possible scenario regarding implications. The event is highly uncertain regarding impacts. Brar again stresses that it is tough to unravel the consequences, because so many if's and but's are there. It is just the beginning of the policy, what final shape it will take place that is not yet clear. Recently many developments have occurred. Let's have a brief introduction about the formation of the EU. The idea of integration particularly that of EU is centuries old. Near about seventy years ago in 1946, Sir Winston Churchill in his famous speech in Zurich calling for the creation of "a United States of Europe" to attain so many things. After Second World War, the first attempt came in the form of coal and steel community. The Europe remain war disturbed continent for many centuries and there were controversies among the great powers and tried to end this conflict. The integration start in such a manner to stop the conflicts and war in the future. Within few years, six countries became so dominated to overrule the internal tariffs and their economic interest became so dominated to end the recurring conflict. It was successful that after the Treaty of Paris, Treaty of Rome were signed in 1957

among these countries. They established twin treaties in the areas of atomic energy and European Economic Community (EEC) and had customs union, where there is adjustment of tariffs among the countries by 1968. It was the first successful event in this area. The European Union then came up with the European Parliament and Agricultural Policy and like that. Thereafter treaty of Maastricht in 1992 established economic union and common currency was introduced in 1999. Subsequently, European Central Bank was established with further common monetary and fiscal policy and common passport for the residents of the member countries. And in 2002 common coins and currency notes were launched in the form of Euro for the present strength of twenty-eight member countries.

In 1973 UK joined the European Union and after remaining with it for almost 43 years from 1973 to 2016, two conflicting groups arrived in 2016 with the opposing views to either to stay or leave the European Union. There stands a number of issues related to the cause of leaving such a big union. The major issues were related to the migration, sovereignty, separate identity and culture. To consensus these so much displaced population, refugees started entering to the UK via EU and used to go Turkey had created some problems. The freedom of movement for labour is guaranteed that they can move without any border taxes, procedures or passports while as after Brexit, UK can control their borders. British countries with a huge budget contribution to the EU was also one among the primary reasons and they don't want to surrender their lawmaking bodies to the European parliament, considering their very own house more important and want to retain their sovereignty. Another group led by prime minister, David Cameron was opposed for leaving the EU and opined that leaving EU will come at tremendous economic costs and would affect UK's economic relevance at international cost. But ultimately on 23<sup>rd</sup> of June 2016, a referendum voted to leave EU. For that reason, David Cameron resigned from the post of PM, unlike other developing countries like India, where nobody is going to exit the seat for the national interest.

Later on, some other issues like Scotland demanding referendum again for staying with the UK also were raised immediately to the Brexit. If Brexit takes the final shape, then according to the article 50 of the treaty of Lisbon, the whole terms of exit will be decided, formal negotiations, tariffs, monetary and fiscal policy and other such related are taken into consideration on account of leaving of any member country from the EU. There arise many questions on Brexit like what would be the new discourse of withdrawing? That may decide the further implications for the UK, EU and other countries as well. So, what could be the impacts and implications? There had been a threat to inflation and a slowdown in the UK. The post-brexit impact would be on the issues like UK's investment, finance, migration and remittances and UK's global collaboration. However, the net impact is difficult to assess, but it is going to pose a challenge not only for UK and EU but the whole world at present time had great consequences of globalization.

The European Union constitutes only about six per cent of the population but represents about 20 per cent of imports and exports, of global trade. Whatever be the trade policy, the UK is going to adopt in Post-Brexit, whether decided to stay



in a single market or customs union have a different impact or want to have an independent and autonomous trade policy. What could be the new standards and new regulations in the coming time?

**UK and EU relations: Impact on India**

The UK observes about three per cent of Indian's exports, it seems to be a smaller amount, but 3 per cent for developing country like India is still significant because having huge trade deficits and BOP problems. UK is the third largest investor in India and accounts for about eight per cent of Foreign Direct Investment (FDI) in India after Mauritius and Singapore. In case of IT exports, UK accounts for about seventeen per cent of Indian IT exports and EU accounts eleven per cent, which going to be hit after Brexit. Both EU and UK provides a huge market for Indian exports as 20% of Indian garment export goes to UK. Indian diaspora constitute about 1.8 million population of the UK, which is a huge number. This diaspora opposes to the EU exit process. Another thing worthy to understand is that after New York, London is significant global financial hub due to its historical advantage and geographical location. In the post Brexit, UK may also follow Norwegian model of currency and maintain free trade areas. It may sign its bilateral agreements especially with common wealth countries in which India may further protect her interest. Still, there are many uncertainties awaiting around. Brexit, yet to take final shape would be a major event for the world economy, implementations will be performed but still, the picture is unclear, and the country has to adopt some leverages.



## Inaugural Address

 **Professor Sucha Singh Gill, CRRID, Chandigarh**

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European scholars developed the theoretical base for integration of Europe in the 1950s. Intellectuals of Europe worked hard and presented the idea of European Union (EU) and advantages of integration and ultimately convinced the politicians to move forward. EU became the model in the world, which demonstrated that we are moving towards comprehensive integration of the global economy and people started saying we are entering into the phase of a global village. The globe is becoming a village in itself and technology has played an important role, e.g., means of transportation. The technology of the Internet is also responsible for bringing the world much closer.

Then there was a debate whether a country could move forward on her own or by joining hands. It led to the development of the theory of convergence. The theory of convergence and some empirical studies came up with the general convergence possibility, but looking at world level you may see it diverging, the gap between advanced economies and developing economies is widening. It led to the birth of  $\beta$  convergence that is there can be conditional convergence. The countries which are having the same level of the technological base, the same degree of development, they can achieve convergence by joining hands. There are studies about the USA, which brought out that different states of USA are converging in economic development and Europe was also converging in development. In this process, with the collapse of Soviet Union, the EU after 1991, started extending its boundaries towards eastern side in a big way. It was found that some members who joined EU, they were at different stages of development. They were backward in technology, level of economic development, social security measures and the standards of wages. So, it created some problems; especially it created an unbalanced union.

The earliest problem which was developed in EU was the crisis of Greece, where Greece was of the opinion that they would not follow EU and the World Bank policy to adopt austerity measures. On this issue then Prime Minister resigned and was re-elected again. But ultimately, Greece was forced by outside pressure to take austerity

measures, where wages and pensions of the people were revised in a downward direction, which created resentment among the people of Greece against the EU.

Two developments at international level have affected the discourse of globalisation. They are the Brexit, a decision by the United Kingdom (UK) on 23<sup>rd</sup> June 2016 in a referendum, and the winning of the presidential election by Donald Trump. Brexit is primarily for the restriction of free entry of labour in the UK from EU region. Trump has displayed to adopt the policy to reconsider the role of immigrants who are entering temporarily, in the US.

In this context, theoretically speaking, I look at Brexit decision as a move of a major country of the world towards a different direction compared to the guidance of the 1950s onwards. It is moving towards nationalistic orientation, and it is going to provide a setback to the process of globalisation. So, it seems that some developments are taking place at an international level which are forcing countries to re-examine the goal of globalisation. So, the Brexit decision needs to be examined from the theoretical perspective of globalisation. One explanation is the jobless growth which has accompanied the globalisation. This issue has been the foundation for the discussion in various countries especially after the crisis of 2008 which engulfed economies of advanced nations. The roots of this problem can be found in the kind of technology which is coming up in the production of goods and services. This is labour displacing technology and robots are replacing labourers, assuming the role of workers. Serious thinkers are examining that the children who are in primary schools today when they will enter the labour market, the kind of jobs which are available today, may not exist at all when these children become adults in future. So, the job market is going to be quite different in future than what it is today. It is challenging to decide what kind of training we should be providing to our young people for future. The training which we are providing today, may not be able to get employment in future, so, something has to be thought. One of the such example which is talked in India is basic minimum level of income. Whether you are employed or not, you will be given a minimum level of income so that you can survive; you can spend and purchase commodities, which are produced in the economy.

The second thing which has happened over the period is related to a fast increase in distribution of income within and between countries of the world. This has been brought out by Thomas Piketty in his famous voluminous book titled as *Capital in Twenty First Century*. He has emphasised very successfully that the level of inequality which has diminished during the welfare state era (1945-1980 approximately) but now with the operation of globalisation and the kind of policies which are accompanying it, the level of inequality has crossed the pre-World War-I era. So the inequality has jumped to very high level, and the less than top one per cent of the population controls more than 50 per cent of world income, and bottom 20 per cent of the population has just 5-6 per cent of global income. Stark inequality which is emerging and generating social tensions and is the cause of jealousy between haves and have-nots. Everywhere you will find the people who are unemployed, who are without income and want to be the partners in the prosperity of the countries.

Stiglitz's in his recent book *The Price of Inequality* explains at length the misery and suffering of the ordinary people in the US. This provides an insight into the process the way Mr. Donald Trump came into power. Some sections of the middle class are lost in the game, and there are of course some politicians who will always try to give some tilt or orientation to the policy. It is not economic determinism; it is the subjective factor which explains the tilt provided by politicians to the current reality in a given situation. They will emphasize that it is not an economical and political system that is taking your employment but the people with different colours, i.e., immigration.

A document brought out by Theresa May government in Feb. 2017, throws light on 12 principles of Brexit. It will bring some ideas how May government is planning to divorce from EU. There are three principles which are meritorious for our attention here:

1. Firstly, UK wants to leave EU because of a superiority complex. It is stated that sovereignty of Britain is an important issue. The EU membership makes it obligatory that some decisions by the UK government are to be scrutinised by EU Parliament especially trade policy, agriculture policy, competition policy, investment policy and movement of the workforce. UK does not want to surrender its sovereignty. When UK agreed to join EU, it decided not to be the part of Schengen Visa and thus was having their own visa to check the immigration from outside. Thus, the UK has not only separate visa but also, separate currency system. It did not object other things, e.g., movement of labour in EU, especially people having EU member country passport could enter the UK without applying for UK visa. The UK government is now questioning this.
2. Secondly, the issue of importance from UK's perspective is the immigration. By 2016, 2.16 million European citizens were residing in Great Britain while only 0.91 million Britain citizens were residing in EU and the net immigration was 1.25 million. Out of the total workforce which is around 22 million, if you have 1.25 million net immigration, it is not a big issue. Going by statistics, the immigration has not been so big an issue as articulated. The same survey says that UK's economy is robust, having high growth, wages are stable, high rate of employment, all indication of the good health of the economy. In such situation, there should be no problem with the small amount of net immigration. The question arises why the UK is playing the card of immigration for the Brexit. It needs to be explained from where immigrants are coming. Entire members of EU are not on the same level of development. The largest proportion immigrants who are entering Great Britain is from Poland. Poland is one of the most backward members of EU, having high unemployment rate. Around 1 million polish workers have migrated to the UK followed by Romania by 2.2 lakh, Portugal by 2.1 lakh, Italy 2 lakh and Lithuania 1.8 lakh. Thus, two-thirds of the migrants to the UK from EU are from backward areas of the EU members. They work in the sectors where wages are low and local workers are not willing to take

up employment. They do not displace labour force in the Great Britain. But the UK government feels that if they continue to come, they will threaten the employment opportunities for British people, although they are not admitting it openly. It applies equally to Indian diaspora although today British is talking about Polish, Romania, and Italian workers. Some politicians can raise the issue of Asian migration too in future.

3. Thirdly, in the UK it is right-wing government, which claims to be working for poor, although the scene is somewhat different. They say we want to protect worker's rights, maternity leave, paternity leave, etc. At the same time, UK wants to enter into a Free Trade Agreement with EU but does not allow free movement of labour and want to protect the citizens of EU who have already entered Great Britain. The two powers of EU Germany and France will face the same problem of emerging unemployment as the level of unemployment is increasing and in both the countries there is a downward revision of pensions and wages, and consequently, it may lead to a recession. This is the reason that we should look at Brexit a new phenomenon where the world is moving towards nationalism. If a country is facing any trouble, then it is the government and people of that country who face the music. Greece is the best example which was forced to adopt austerity measures to solve the economic problem rather than massive support by the EU Members.

Most of the Indian companies are currently operating in Europe operate via UK because most of the companies have their offices in London or elsewhere in the UK. These are Tata industries, Mahindra & Mahindra, software companies etc. They operate mainly from the UK. These companies will face some trouble when Brexit fully comes into force, and same is the case with immigration. I believe that India should examine this very seriously. We produce skilled workforce and export it abroad. We are entering the era where other countries are reluctant to accept our workforce because their workforce is facing unemployment problem. More than half of our diaspora is in the Middle East, and the majority of this diaspora is in war zones like Syria, Iraq, and Afghanistan. In connection with the diaspora, our links with Great Britain are vital. In sociology, it is said that what is appearing on the surface may not be the case. Similarly, Brexit is giving something on the surface, but if you look at the deep structure, it will give you something different. If we combine Brexit with what is happening in America, it seems that the world is in the process of reshaping. Since there is a decline of the great powers like Great Britain, the USA and the centers of manufacturing have already shifted to China and South East Asian countries. Hence if the centers of the economy are shifting from Europe and America then from where employment will be generated? It is important to examine what will happen in next six months to one year and how negotiations will proceed between Great Britain and EU. Ultimately it will depend on the outcomes achieved by Britain. One thing is clear that Britain is not going back with same integration with EU. The majority of the population of Britain believes that they will be better off by withdrawing from EU. So, in this context, we need to keep watch on the situation carefully and should study what underlies in the

deep structure of the documents which Britain is producing and should not only go by the face value of statements. The British government is saying that they are protecting labour, but they are working for capital. But what will happen if capital and labour are in contradiction and this is the point where the role of intellectuals is critical. Along with Government which needs to keep watch on situations, the visionary intellectual community should continue to study the phenomenon, produce research-based monographs and papers so that they can enlighten the general public as well as support Indian government. In policy making so that we can have a better understanding of the situation. This may require some changes within India and also Indian understanding of employment generation for a trained workforce.





# Introduction

 **Sandeep Kaur Bhatia**

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**N**owadays, nearly every economy has opened itself at the global level, so as to reap the advantages of trade liberalization, like adaptation of new mode of production and other spill-over benefits of globalization. However, through such liberalization, the world has interconnected in such a global trap, that any slowdown to any economy, extends damage faster to the linked countries than pays for it. In this condition the countries, which are still less integrated are least affected. Thus in other words, the impact of any crisis on an economy depends considerably upon the degree of its interdependence on other economies.

Indian economy is the fastest growing economy, and has attracted a large number of developed and developing economies. Recent initiatives like Make in India, welcoming or allowing 100% FDI in almost every sectors of the economy either through automatic route or government approval are the signs of globalization at the highest level. However, with the changing global environment, countries are highly prone to contracting the ills of other economies. Thus the recent change at the global level i.e. Brexit has surely a possible impact on Indian economy, as being a highly globalized economy. So, the present book has been designed to analyze the impact of Brexit on Indian economy specifically.

The impact on the Indian economy of Britain's exit from the EU can be interpreted as “when elephants fight, the grass suffers”, as it weakened the rupee, most probably it caused equity market of India suffer though not to a large amount, the value of the commodity prices has been shaken from its base value, which lay down producers into deep concern and certainty of pessimism. The Bond market is not influenced much owing to Indian strong monetary facility and RBI's immediate action in terms of rate reduction. However, Indian Information Technology sector is the one which suffers more on account of its high level of settlement in the Britain while as its pharmaceutical sector is a least affected (Live Mint, May 2017). While there is a cloud of uncertainty over the IT sector of Indian economy, despite that Indian business persons keep an eye over the future relation and trade ties between India and the UK (Chandran, Oct. 2016). Meanwhile, Brexit is an opportunity for Indian

economy which will depend on the negotiating power between both the countries. Thus, it is very hard to say, how much is it beneficial for Indian economy? But its effect is a matter of real concern and what type of negotiations can be done in future to explore the benefits of this opportunity? Keeping in the view, the significance of changing dimensions of globalization, the present book makes an attempt to study the implications on merchandise trade, trade in services particularly IT services, immigration, FDI etc. for India and the UK.

This edited volume is an outcome of two-day deliberations among participants from different states of India. In order to present the study in a simple, lucid and reader friendly manner, the book is comprised of twenty chapters, which are divided into three parts corresponding to the sub-themes of the seminar. The book ends up with a separate section on 'The Way Forward: Key Recommendations', which brings forth some of the key suggestions and recommendations important for India and the UK.

The book is divided into three parts: India-UK Bilateral Trade, India-UK Bilateral Trade in Services, and Political and Economic Relations between India and the UK. The chapters in first part try to examine the trends and patterns of India-UK trade through the explanation of composition and direction of trade. The chapters in second part attempted to explain the growth and performance of trade in services FDI and immigration. And the third part of vividly explained the Brexit implications for India in context of their economic and political relations.

The article entitled "An Empirical Analysis of India-UK Bilateral Trade" written by *Sandeep Kaur Bhatia, Mandeep Bhardwaj and Parmjeet Kaur* explained the trade relationship between India and UK and attempted to clarify the changing landscape or pattern to determine the implications on trade, as the UK decided to exit from the European Union, i.e., Brexit. Thereby, this paper attempts to measures the trends and patterns between India and UK during period 2000-2015. To justify as how much beneficial it is for both the nations to change their designation clause of Most Favoured to Free trade agreement after Brexit. Through various indices, the study shows that both nations are moving towards trade but trend has suddenly gone down which is a cause of concern. The article suggests that the present study has provided appropriate answers; it seems to be in favour of India's pocket if both countries make Free Trade Agreement.

Another article entitled "Brexit: Implications for UK, EU, and India" written by *Pralok Gupta* shows the UK's formal integration with the EU can be traced back to seventies when the UK joined the European Economic Community (EEC), now called the European Union (EU) from January 1, 1973. More than 30 million people (71.8% turnout) voted in the referendum and the leave votes won by 51.9% to 48.1%. The exit of the UK from the EU is termed as 'Brexit. Out of US\$ 18.51 trillion GDP of the EU in 2014, the UK's contribution was around US\$ 2.99 trillion. The UK also has significant trade within EU, and nearly half of the UK's overseas trade is conducted with the EU. Therefore, this decision will affect trade in goods, services as well as in investment to and from the UK. This article discusses implications of Brexit for the UK and the EU from trade and investment perspectives and what it could mean to India. The study suggests that India should consider it as an opportunity other wise the other countries will get benefit out of it.

Intra-Industry trade is an important concept to explain bilateral trades relations. Keeping in view of its significance, the study entitled “India-UK Intra-Industry Trade in Manufactured Products” written by *Meenu* which described the European Union is one of India’s important export markets as well as a source of imports, with 16.96% and 11.53% shares in India’s total exports and total Imports, respectively, for the year 2015-16. With the India’s growing focus on the promotion of manufacturing sector (by introducing programs like Make in India, Digital India, Skill India, etc.) and the decision of Britain to exit EU, it is pertinent to study various aspects of India-UK trade in manufactured products. In suggestion, it explained the removal of regulatory barriers to inward investment and securing lower tariffs will be beneficial as after Brexit. The UK will have an independent trade policy to build up trade relations across the world. It would be helpful for India to participate in priority.

Following the theme of bilateral trade relations, the paper entitled “Bilateral Trade between India and the UK” written by *Harjeet Singh* illustrates that the UK ruled over India for two centuries and during this period India had lost his eminence in the export of finished goods and emerged as a net exporter of primary products. This paper is an attempt to analyse the bilateral trade relations between India and the UK during 2006-2015. The purpose is to investigate the impact of recent developments like establishment of India-UK Joint Trade Committee (JETCO) in 2005, on trade relations between India and UK through volume of trade, direction of trade, trade openness index, and trade intensity index. The study concludes that the UK depend more on Indian trade as compared to India. Trade intensity between two nations has significantly declined. But the author is positive about the future trade relations between India and the UK.

The study entitled “India’s Trade Policy Options for India-EU FTA Post-Brexit Regime” authored by *Sudip Kumar Paul and Suvayan Neogi* shows that the impact of Brexit on India’s trade refers the current scenario as a positive sign for the successful conclusion of FTA between India, and the EU27. The UK and EU27 are now keen to sign a free trade deal with India, and both of the groups have initiated the separate negotiations for FTA. On this background, the present study is an attempt to discuss the main issues related to India-EU proposed FTA from the Indian side and also highlighted the recent trade policy initiatives taken by India and EU in the way of signing the proposed trade deals. The study suggested that the negotiating policies for two separate trade deals by Indian policy makers must be such, which will lead to net positive gains to the Indian economy.

The paper entitled “Brexit-Analysing the Impact on Indian Trade Policy” by *Gulshan Farooq Bhat and Arif Gulzar Hajam* discusses the British’s exit from European Union (Brexit) and its possible impact on India’s trading agreements. India being the fastest growing economy and its attractive market is a favourable destination for trade. Furthermore, the findings reveal that Asia in the near future will be the hub of global trade as among predicted most powerful economies, five are in Asia, including India and its neighbours; China, Japan, and South Korea. Thus India’s trade with these emerging giants will be fruitful in the long run.

Highlighting the significance of high technology exports, the paper entitled “An Assessment of Technology Intensity of Indian Exports with the UK” written by *Mohd. Fayaz and Sandeep Kaur Bhatia* shows that though the trade of India with the EU in general and the UK in particular declined over the period 1990-2016. But the share of high-tech and medium-high tech exports from India to the UK has been increasing. Thus a possible FTA between India and the UK will benefit the former in increasing the market base for its exports of high-tech products which has been considered as the rapidly growing sector of international trade.

An article entitled “Problems of Exports of Indian Alfonso Mangoes to the UK” written by *Harpreet Singh* finds out impact of the non-tariff barriers involved in the Indian mangoes to the UK. The study also found that there is a sharp decline in export of mangoes in 2014-15 due to imposition of non-tariff barriers by the EU. The study suggests that the removal or reduction of tariff and non-tariff barriers, Indian export of mangoes to the UK will increase. India has the opportunity to expand its trade by establishing FTA with the UK.

Trade and foreign direct investment both go side by side in the globalized world. *T.J. Joseph* in his study “The Impact of Brexit on the Trade and Investment Relationship between India and the United Kingdom” expressed the phenomenon of globalization is made possible by the increasing pervasiveness of trade agreements, both multilateral and regional. What does Brexit mean for India regarding its economic relationship with Britain and the European Union? The leading indicators that have been determining the relationship between the two countries during the period of globalization are external trade and foreign direct investment. Thus this paper attempts to assess the possible impact of Brexit on the trade and investment relationship between India and the UK.

Following the significance of FDI, *Nirmal Singh* in his article entitled “Foreign Direct Investment: Growth Trends in India and the UK” examines the temporary and potential impact of Brexit on long-term FDI in India and the UK. The results of linear regression trend growth model showed that since 1990, the level of FDI outward stock from India has increased manifold along with the inward flows of FDI stock. This has increased more than that of the outward stock and inward stock of the UK. It authenticates that India has been gaining importance in FDI outflows.

Highlighting the same theme, another article entitled “India-UK Bilateral FDI: What are its Implications?” Written by *Tialemba and Sandeep Kaur Bhatia*, states the trend and composition of the FDI between India and the UK from 2000 till 2015 and highlighted the short-term impact of Brexit in terms of pound depreciation, uncertainty and volatility particularly on the Indian Investments in UK like Tata Steel, Tata Motors and other Indian IT Companies which have tremendous global exposure and brings about how the Indian Government should negotiate a favourable Free Trade Agreement with the Government of UK as it sets to frame its separate trade deals outside the purview of EU.

IT industry is of utmost significance for India. The UK is important market for its services. So, the article entitled “Indian Information Technology Industry: Possible Implications from Brexit” written by *Nadeem Ahmad Bhat* shows that Indian

Information Technology (IT) industry is traversing through various challenges that are likely to continue, one among them is Brexit. Almost 800 IT companies of India currently have exposure to the UK and employ around 110,000 people there. Brexit may mean that some of these IT firms have to invest in their offices and human capital in mainland of Europe to keep supply uninterrupted for their customers there. Brexit provides an opportunity for India-EU free trade agreement.

The study entitled “Determinants of FDI Inflows in India from Selected European Union Countries: A Gravity Model Approach” written by *Pushp Kumar* and *Sandeep Kaur Bhatia* finds out the determinate of FDI flows in India from selected EU countries. By using gravity model, the study finds that trade openness is not a significant variable for affecting Indian inflows while GDP is highly sensitive. And also, bilateral investment treaty has a positive relation with Indian FDI inflows. The study suggests that if India-UK makes a bilateral investment treaty it will have positive significant impact on the Indian FDI inflows.

An article entitled, “Trends of India's Trade in Services with the UK” written by *Manpreet Kaur* highlighted the trends of India's services trade with UK. Trade intensity and revealed comparative advantage had calculated for the period of 2005 to 2015. The study finds that India has a competitive advantage in various services with the UK. The study suggests that bilateral agreement will lead to open up in these services.

An article entitled “Trade and Investment Flows between India and the UK: Trends and Composition” written by *Mohd Faisal, Muhammed Aqib & Md. Sahnewaz Sanu* analyses the trends of the flow of FDI between the two countries over the years. The study reveals that India's exports to the UK has increased significantly from \$2160 million in 2001-02 to \$8863.9 million in 2015-16, with a compound annual growth rate of 10.61% whereas India's imports from the UK has increased from \$2563.2 million to \$5186.5 million, with a compound annual growth rate of 5.13 percent in the same period. The UK continues to be the third largest investor in India after Mauritius and Singapore in the past sixteen years, i.e., from April 2000 to March 2016. It can strengthen the relationship between two nations.

Diaspora has played an important role for the divorce of Britain from EU. An article entitled “Brexit: The Politics of Immigration and Its Impact on the Indian Diaspora” written by *Hushiar Singh and Jashanpreet Kaur* depicts that Brexit is the historical mandate which breaks the Britain's relations with European Union's 43 years associations. The Brexit shock has gone beyond the borders of the UK and into all over the world. It is being felt mostly in Commonwealth countries, especially former colonies of Britain. There are numerous migrant people in UK from India, and there is an anticipation that this migration process will be continuing in global relations. However, the rise of anti-immigration politics can impact the international relations.

Reflecting the impact of globalization on Indian trade, an article entitled “Globalization in Present Scenario: Brexit and India” written by *Manpreet Singh and Paramjit Nanda*, the paper intends to study the impact of globalization and 2008 global crisis on India's total trade and its trade with the UK and the European

Union. To find out the impact of globalization and 2008 global crisis on India's trade, the compound annual growth rates and annual growth rates have been used to analyse data. The study reveals that after 2008 global crisis, the growth of India's exports, as well as imports with UK and EU, has declined.

Following the same line of the impact of globalization, *Kulwinder Singh and Jatinder Singh* in their study entitled "Brexit: Economic Implications for India" aim at: (i) analyze the evolution of EU and highlight underlying factors which forces UK to leave EU and (ii) analyze India's ties with UK from various perspectives and the possible challenges after Brexit. Moreover, UK emerges as the third largest investor in India and India's investment in the UK also doubled during the recent years. Most of the Indian companies have established their headquarters in the UK to cater EU market. The study suggests that apart from trade front, there are several other areas where India and UK need to strengthen cooperation which includes cyber crime, cyber securities, skill development, defense, digital transformation etc.

The study on "India and the UK Trade Relations: The Future after Brexit and its Implications" authored by *Katari Akhilesh Kumar*, deals with the trade implications for both the countries as Britain is the biggest trading partner in the European Union for India and the two countries historical relationship to a new league, politically and economically. An attempt has been made to humbly put forward some recommendations to which India can adhere to contain the impact on its economy in the post-Brexit period.

An article entitled "Brexit: The Good, The Bad, The Worst" written by *Minesh Kumar Srivastava* illustrates that the UK has initiated the process of its exit from EU, and it is expected to complete at the end of 2019. Although it is still a long-term process, its effects started already. This article is intended to highlight the probable consequences of Brexit on the UK as well as on India. It can create gainers and losers.

This volume has raised many issues of concern as far as of India-UK economic relations. Several suggestions relevant to policy makers have also been made in the last section. Interestingly, most of the contributors to this volume have argued that Brexit is an opportunity for India in strengthening relations with the UK. There are bright prospects for India-UK bilateral relationship after Brexit. And a more bright picture has been sketched in several other chapters covered in next part of the book.

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# The Way Forward: Key Recommendations

EU is one of India's most important export market; Britain was a major nation within the EU that rooted in developing closer ties with India. After the UK's divorce from the EU, the UK's role in promoting India-EU relations will no longer exist. There were historical and technical reasons behind the existence of globalization, but Brexit proves that the world cannot bear too much globalization (Stiglitz, 2016). In the present dynamic world, where economies are so mutually dependent that no more independent decision could be taken without considering the other's policy reaction and in this regard the Brexit has a great significance to the world including India. This book tries to give an answer to the question: Does Brexit change anything to India's advantage? In this chapter, following key recommendations have been recommended so that India can take as a positive opportunity.

## **An FTA between India and the UK can prove as a fruitful agreement.**

India's exports to the UK is nearly three percent. The UK has an 18th rank in India's trade partner list. Presently, India-UK bilateral trade amounted to the US \$ 14.02 billion, with India exporting US \$ 8.83 billion and importing US \$ 5.2 billion worth of goods. The UK imports more and more from India, though the level of its exports to the country has recently begun to stutter after several years of growth. Due to Brexit, there will be a shift in the base camp from the UK to EU, as most the firms have their HQ in the UK. It will lead to the shift of skilled human capital from the UK to EU hence disinvestment from the UK. However, in the long run, Brexit gives the opportunity for India-UK bilateral trade development as Britain is losing the preferential access to the common market. India could think of the FTA with the UK to maintain existing bilateral trade (Banga, 2016). Moreover, EU competence may not further prove as a barrier in making deals with the UK.

## **Visa negotiations are required along with trade deals.**

The mobility between two countries is an important issue to make any deal. Immigration to the UK is another issue that has been brought up by this referendum. After the Euro -zone crisis, immigration to the UK from many European countries

has been growing, however, after Brexit, tougher norms on migration are expected, which would be a sad news for many developing countries. Hence, the bilateral engagements on this front between India and the UK will be essential. Due to stringent immigration policy, the number of Indian nationals studying in the UK has reduced, i.e. from 29,900 in 2011-12 to 16,745 in 2015-16. No doubt, India-UK FTA would explore the untapped potential. But before signing it India should make negotiations about visa policy clearly. Labour and goods should go side by side. Britain will not remain a common market for EU under hard Brexit. So, it would be more important to attract more labor towards Britain. However, the main driving force of Brexit was the issue of immigration. So, we cannot say that Britain will make its immigration policy very liberal. India has to keep an eye on this issue.

**An FTA between India and 'EU without the UK' is also possible.**

Brexit has not only given chances to make future trade deal between India and UK but also between India and EU. India-EU FTA's negotiations could not be finalized for more than a decade due to the concerns from both sides. The EU wants strong intellectual regime, tax reduction in wines, spirits, and dairy products. From an Indian perspective, the EU has been using the weapon of non-tariff barriers to restrict primary imports from India. In case of Intellectual property rights, EU is of the opinion of stringent protection even going beyond WTO prescribed standards. In case of service exports, particularly of IT exports which are going more towards to Europe including UK at second following US, is providing an opportunity for enhancement of service trade but due to high unemployment in the EU, the prospects are bleak (Rajan, 2016). But Brexit has given ample chances to finalize this deal. EU without the UK would be a dire need of skilled professionals. On the other side, Trump's stringent H-1B Visa Policy has already hit the Indian IT sector. Thus, both parties would be ready to negotiate, which can increase the opportunity to shape India-EU FTA.

**India should gain out of Britain's increasing interest towards Asia.**

The UK will continue to increase investment in Asia. On the other side, due to the China's increasing investment to the UK, a status of the golden decade in the bilateral relationship with the UK has been given to China. So, India's engagement towards the UK should be strengthened to counter balance his competitor's policy.

**Negotiations in various services can make India-UK trade ties stronger.**

India has a competitive advantage in other business, transportation and travel services with the UK. Negotiations in these services can make the position strong. The UK has already taken the initiative on agreement on trade in services particularly in financial services. It is expected that liberal negotiations in services, particularly in Mode-4 can make our trade ties stronger.

**There is a time to rejuvenate relations with Commonwealth countries.**

Brexit will have an impact on geopolitical and geoeconomic relations. It is expected that Britain will try to make stronger relations with Commonwealth countries, which will also give the path to India to rejuvenate his ties with these countries.



**Various standards can be lifted up in making a trade deal with the EU.**

EU's ban on Indian mango in 2014 clearly shows that the EU's regulatory standards are high. These standards work as a barrier for Indian exports. In lieu of this, India and UK both countries may come forward to strengthen their trade deals, which will provide India a definite market for their agricultural products also. And also, it is possible that standards set by the EU in various trade deals may be relaxed.

**The Indian IT sector is required to follow new directions.**

Europe is the second largest market for the Indian IT-BPM industry, constituting almost 30 per cent of the industry's export revenue. In 2015-16, overall Indian IT exports, were about US\$110 billion of which 62 per cent was contributed by the US, 17 per cent by the UK, and 11 per cent by Europe. Many Indian Information Technology (IT) companies based in the UK with large workforces that offer services in Europe Union member countries will be slapped. The UK is the second largest destination of the Indian IT exports. The major IT industries are receiving about 25 per cent of revenue from the UK. NASSCOM predicts that it will have a big loss to Indian IT sector nearly US\$108 million in the short term. Moreover, UK will not accommodate Indian IT professionals under Mode 4. But simultaneously, UK's interest towards bilateral agreement in services with India may be proved as a boon to the country. It still requires abundant human resources, and India fits perfectly the due to its English-speaking population.

**Pharmaceutical and Automobile sector should also be given most favoured treatment.**

Not only the IT sector, but automobile sector would also be affected as the parts of this sector have been imported from EU. So, quick deals in these sectors are required to mitigate the immediate effects of exit on these sectors. Pharmaceutical sector has grown very fast in the EU. Intra-EU exports of its products are nearly 77 % due to the existence of the trade chain in the EU. The UK is also part of this chain. As India has a comparative advantage over this sector, so deal in this sector with the UK can be proved advantageous.

**There is a time to diversify India's exports to the UK.**

India's share of high technology exports is very low. It is a time when India can gain out of Brexit by making trade agreements with Britain in high technology exports. The UK will provide a window for our high technology exports for the west.

**The liberal investment environment is required to attract more investment.**

India is a third largest investor in Britain. Till now, the UK provided gateways to Indian products with the rest of the EU. According to Indian Tracker (2016), nearly 800 Indian companies are running in the UK, generating 110,000 jobs. These companies grew more than 10 percent this year. Technology, telecom, pharmaceuticals and financial services are growing very fast. Among other companies, Bharti Airtel, HCL Technology, Tata Group are amongst the highest growing companies. These

companies will invest in future in Britain if they will be provided a congenial and liberal atmosphere in the form of low taxes and other incentives.

On the other side, the UK is the third largest source of foreign direct investment in India. The flow of short term as well long term FDI in India would be affected. FDI may decrease temporarily but it can be neutralized with the provision of other incentives so that it would not have a long-term effect.

### **Trade deals with other members of EU may prove beneficial to India.**

India can make trade negotiations with other EU countries. Though India is putting make efforts with Netherland, France, Germany and many others, it is not enough. Germany is the attractive destination for Indian Investment. It is now expected that Germany will replace the UK by providing the gateway to India for EU.

### **India should make negotiations for students applying for fellowship in the UK.**

More than 21,000 students from India study in the UK are availing UK government's international awards scheme known as Chevening. Also, UK-India Education and Research Initiative (UKIERI) was set up in 2005 and its second phase was launched in June 2011. This initiative has been able to link 475 schools and higher education establishments in the UK and India. Students can be attracted through the various fellowships. The UK may provide scholarships to students of other countries as EU will not remain a common market. But the UK's current immigration policy does not support it. So India should make special negotiations for Indian students with the UK.

In the end, Brexit is an opportunity that India should put into his pocket. The only requirement is that the government should take the right steps in this direction. Then Brexit will surely prove a win-win situation for India.

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