

The rise of India: UK perspectives

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I do not believe that we're realising the true potential of this relationship.

David Cameron, November 2015¹

This article looks at India's rise from a UK perspective. The emergence of India as an increasingly important power, politically and economically, has been a significant development in the international system and for UK foreign policy, bringing with it what the British Prime Minister called 'a 21st century partnership'.² The United Kingdom's vote by referendum in June 2016 to leave the EU has made India an even more important factor for UK policy-makers.

The argument of the article is threefold. First, it argues that Britain's relationship with India is now primarily driven by economic considerations rather than political/normative considerations. Second, it argues that this is a relationship in which India's hand is increasingly being politically strengthened *vis-à-vis* the UK precisely through India's increasing economic weight. Third, it argues that the relationship is an asymmetric one in which India is more important to the UK than the UK is to India, and in which the UK is pursuing India more than India is pursuing the UK.

These arguments are advanced through five successive sections. The first section of the article deals with the legacy of the past, considering the period up to 2002. The second section looks at the developing partnership between the UK and India that emerged between 2002 and 2016. The third section considers the politics of the current relationship, from the viewpoint of mid-2016. The fourth, core, section considers the economics of the current relationship as of mid-2016. The fifth section concludes by considering the post-Brexit future of the UK's relationship with India, in the light of the June 2016 referendum result.

The legacy of the past: before 2002

UK–India relations are 'unusual', given that 'the historical legacy of empire lingers, with paradoxical effect', whereby 'the two states are pulled closer and

¹ David Cameron and Narendra Modi, joint press conference, 12 Nov. 2015, <https://www.gov.uk/government/speeches/joint-press-conference-david-cameron-and-prime-minister-narendra-modi>. (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 29 Oct. 2016.)

² David Cameron, 'UK–India: a 21st century partnership', in Jo Johnson and Rajiv Kumar, eds, *Reconnecting Britain and India: ideas for an enhanced partnership* (New Delhi: Academic Foundation, 2012), p. 27.

pushed apart by the shared colonial experience'.³ The pulling together is impelled by the common presence of parliamentary democracy, the common use of the English language, and the settlement in the UK of a significant Indian diaspora community, numbering almost 1.5 million in the 2011 census. This Indian community in Britain has increasing economic and political significance, and on the social and cultural front generates important interpersonal links.⁴ The pushing apart comes from a troubled colonial history. This was recognized by the then British Prime Minister David Cameron in a joint press conference of November 2015 with his Indian counterpart Narendra Modi, where Cameron acknowledged that 'for years, the relationship between Britain and India was in some way imprisoned by the past'.⁵ During a trip to India in 2013 Cameron showed some sensitivities to this colonial past, going on record to acknowledge that the 1919 Amritsar massacre had been 'a deeply shameful event'; though in November 2016, as the subsequent Prime Minister Theresa May flew into New Delhi, Indian figures were still bringing up the issue of such 'atrocities' from the period of British rule.⁶ Nevertheless, in October 2015 a hard-hitting report by the British Council entitled *India matters* pointed out a continuing hindrance whereby 'the colonial legacy ... presents a barrier for the UK in forging relationships with India today and in the future', bringing 'a growing sense of frustration in India as some feel that a colonial mindset still lingers with some people in the UK'.⁷ Renewed concerns in the UK about migration, heightened during the 2016 referendum campaign, have revived fears of racism being directed against the Indian community.

Post-Brexit, pointed comments were being made in India that the UK wanted Indian trade but not Indians.⁸ When Cameron welcomed Modi to the UK in November 2015, he asserted at their joint press conference that 'we are already natural partners'.⁹ However, in the first half-century of Indian independence, from 1947 to 1997, this was not evident. Indeed, post-colonial relations between the UK and India remained cool during most of the second half of the twentieth century.

Politically, India's decision on gaining independence in 1947 to stay in the British Commonwealth of Nations was eagerly sought and keenly welcomed by the UK. However, over the next three decades South Africa became a highly divisive issue in the Commonwealth between Britain and India. Moreover, globally, India's non-alignment was in sharp contrast to Britain's close alignment with the United

³ Andrew Wyatt, 'India and the United Kingdom: finding a new equilibrium', in Sumit Ganguly, ed., *Engaging the world: Indian foreign policy since 1947* (New Delhi: Oxford University Press, 2016), pp. 225–44.

⁴ Judith Brown, 'The role of the modern diaspora in the UK–Indian relationship', in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 165–70. Also Shrabani Basu, ed., *Re-imagine: India–UK cultural relations in the 21st century* (New Delhi: Bloomsbury India, 2014), part of an ongoing research and dialogue initiative of the British Council and Indian Council for Cultural Relations, launched in Jan. 2012. This also feeds into the 2017 UK–India Year of Culture.

⁵ Cameron and Modi, joint press conference.

⁶ Cameron, entry in visitors' book, Jallianwala Bagh Memorial, 20 Feb. 2013; 'Tharoor seeks apology from UK for atrocities during colonial rule', *Deccan Herald*, 6 Nov. 2016.

⁷ British Council, *India matters* (London: British Council, 2015), p. 12.

⁸ Suny Hubdal, 'The message from Britain is clear: Indians are not welcome anymore', *Hindustan Times*, 20 Oct. 2016.

⁹ Cameron and Modi, joint press conference.

States under the so-called 'special relationship'. Indian military action to take over Goa in 1961, then a possession of Portugal—the country with which the UK had its oldest alliance, dating back to 1386—was also denounced by the UK. India's close links with the Soviet Union during the Cold War, exemplified in their 1971 Treaty of Friendship and Cooperation, created further distance between Indian and British governments. During the 1970s India was critical of Britain's decision to give the United States permission to set up a military base on the British island of Diego Garcia; and during the same decade and the next, the UK brushed aside India's calls for the Indian Ocean to be declared a Zone of Peace, Freedom and Neutrality (ZOPFAN).¹⁰ British criticisms of Indira Gandhi's imposition of a state of emergency in 1975–7 and her storming of the Sikh Golden Temple at Amritsar in 1984 were reciprocated by Indian criticisms of British laxity in respect of Sikh separatists based in the UK. In 1986, one UK observer noted that 'in Britain the prevailing image of India is of the past', that is, of the British Raj.¹¹

Economically, India's performance limped along after independence in 1947. Its modest so-called 'Hindu rate of growth', averaging around 3.5 per cent annually from 1950 to 1980, reflected an inefficient form of state-heavy socialism that fostered an inward-looking autarkic market and remained semi-detached from the global economy.¹² India seemed doomed to poverty, requiring British development aid. While economic links between the UK and India persisted, the two economies' relative importance for each other declined. The United States replaced Britain as India's biggest trading partner, and the UK turned towards European markets, a process accelerated when it joined the European Economic Community in 1971.¹³ In retrospect, this British refocus of 1971 can be considered as representing 'shrinking horizons' on the UK's part, and an 'obstacle' in UK–India relations.¹⁴ This was, indeed, precisely the argument later used by Brexit advocates in the 2016 referendum on Britain's EU membership.

Nevertheless, the 1990s transformed the context of the UK's relationship with India, politically and economically, in three ways. First, with the end of the Cold War and the collapse of the Soviet Union, the latter was no longer present as a third-party ideological hindrance in the relationship. This 'systemic change facilitated cooperation between India and the UK', and with it the establishment of a 'new equilibrium' in UK–India relations.¹⁵ The Soviet Union's disappearance from the international system facilitated the laying of a foundation for broader UK–India defence cooperation in March 1995 with the decision to establish a Defence Consultative Group (DCG) headed by India's Defence Secretary and the UK's Permanent Under-Secretary for Defence. Second, under Manmohan Singh as Finance Minister

¹⁰ B. Vivekanandan, 'Naval power in the Indian Ocean: a problem in Indo-British relations', *Round Table* 65: 257, pp. 59–72.

¹¹ James Barber, 'Britain and India: a continuing relationship', *The World Today* 42: 8–9, 1986, p. 133.

¹² Salil Tripathi, 'Escaping the "Hindu rate of growth"', *Guardian*, 13 June 2006.

¹³ R. S. Nigam, 'Commonwealth, Britain and EEC with special reference to India', *Foreign Trade Review* 7: 1, 1972, pp. 78–88.

¹⁴ Pratap Mehta, 'Shrinking horizons: obstacles to a British–Indian partnership', in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 47–51.

¹⁵ Wyatt, 'India and the United Kingdom', p. 227.

(1991–6) and then Prime Minister (1998–2004), India embraced globalization and achieved significantly higher growth rates, rising by 2007 to just over 10 per cent. India was now a growing domestic market, with growing finances to invest outside its borders. The British Prime Minister John Major’s trip to India in January 1997 reflected his recognition of India’s ‘increasing economic authority’, whereby ‘within 25 years, let alone 50, India will have firmly established herself as one of the world’s economic powers’.¹⁶ Third, the eruption of jihadist terrorism in the 9/11 attacks on New York in September 2001, followed by attacks on New Delhi in December 2001 and London in July 2005, brought further security convergence between India and Britain, with both countries supporting the replacement of the Taliban regime in Afghanistan and sharing intelligence on jihadist activities.

A developing partnership: 2002–2016

Under the premierships of Tony Blair, Gordon Brown and David Cameron, the UK pursued a much stronger and increasingly economics-orientated relationship with India, at a time when general public opinion (at least up to 2012) also showed a rising estimation of India (table 1). Since 2002 a ‘language of partnership’ has been embedded in official UK–India discourse.¹⁷

Table 1: ‘Indian influence in the world’ (UK respondents)

	‘Positive’	‘Negative’	Balance
2006	49	30	+19
2007	53	25	+28
2009	59	24	+35
2012	65	32	+33
2013	43	42	– 1
2014	45	46	– 1

Source: Globescan, Global survey on country influence, <http://www.globescan.com>.

The first clear sign of British–Indian convergence on this language of partnership was the New Delhi Declaration drawn up in January 2002 by Blair and the Indian Prime Minister Atal Bihari Vajpayee. Identifying the two countries as ‘partners’ was a running theme in the document, outlined in successive sections on the two countries being ‘partners for peace and security’ (with a primary focus on anti-terrorism), partners in development (noting that the ‘UK Government’s programme of development assistance in India is its largest in the world’), partners in education, science and technology (testimony to India’s rise as a modern science

¹⁶ John Major, speech to the Confederation of Indian Industry, 9 Jan. 1997, <http://www.johnmajor.co.uk/page1334.html>.

¹⁷ Sanjaya Baru, ‘India, Britain, and the language of partnership’, in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 53–8.

and technology power), and finally partners in trade and investment (noting that ‘both countries are determined to realise the enormous potential for further development that still exists’).¹⁸

Mutual investments were also highlighted in the New Delhi Declaration as an emerging feature of UK–India relations. The declaration emphasized that ‘British companies are attracted to the increasing opportunities in India as the [Indian] government pushes ahead with its programme of economic reform’; in respect of investment flows from India to the UK, reflecting India’s economic rise, the declaration noted that ‘Indian investment in the UK has increased apace: indeed, India is now the eighth largest investor in the UK in terms of number of projects established’.¹⁹ In another sign of India’s economic rise, high-tech Indian companies were identified in the declaration as significant contributors to the UK economy, particularly in IT and pharmaceuticals: ‘The new knowledge-based industries have been important drivers of this growth: of approximately 250 Indian companies now located in the UK, 70–80 are in the ICT sector’.²⁰

Following Blair’s visit to India in 2002, the Foreign and Commonwealth Office’s 2003 white paper *UK international priorities* highlighted India as a country with which the UK would do well to establish a ‘strategic partnership’.²¹ In similar vein, Blair’s trip to India in 2002 was reciprocated with the visit of Manmohan Singh to the UK in September 2004. The 2004 joint statement drawn up in London by the two premiers yields useful context and comparisons.

The first point to note is that the talk in 2002 of being *partners* in various areas was pursued further in the 2004 joint declaration with its announcement of an overarching *strategic partnership*, its claim that ‘as India emerges as a global [economic] power ... India and the UK are natural economic partners’, its welcoming of growing trade, and its assertion that ‘the real partnership lies in the strength of investment in both directions’.²²

Academic links were encouraged, the 2004 joint statement setting out the expectation that by 2008 there would be 25,000 students from the UK and India studying in the other country’s academic institutions. However, although that particular target was met, in the UK after 2008 steadily growing tuition fees and more restrictive visa controls subsequently undermined continuing attempts to increase the numbers of Indian students studying in the UK. A pledge was made in the 2004 joint statement to strengthen cultural links between the two countries, in areas including publishing and film production, but specific projects remained hard to identify. Other new areas for cooperation identified in the 2004 joint statement included civilian nuclear activities, civilian space programmes, high-technology trade, alternative and clean energy technologies, biotech, bio-informatics and nano-technology, reflecting the prominence of cutting-edge technology in India’s rise.

¹⁸ India and UK, ‘New Delhi Declaration. Partnership for a better and safer world’, 6 Jan. 2002, <http://pib.nic.in/archive/releases98/lyr2002/rjan2002/06012002/r060120021.html>.

¹⁹ India and UK, ‘New Delhi Declaration’.

²⁰ India and UK, ‘New Delhi Declaration’.

²¹ Foreign and Commonwealth Office (FCO), *UK international priorities: a strategy for the FCO* (London: The Stationery Office, 2003).

²² India and UK, ‘Joint declaration’, 20 Sept. 2004, <http://www.mea.gov.in/bilateral-documents.htm?dtl/7462>.

The 2004 joint statement identified another future growth area in defence cooperation, in terms of joint military training, joint military exercises and co-production of defence equipment, reflecting the new opportunities in the post-Soviet era for UK–India defence links.²³ After the terrorist attacks of 2005 in London, further emphasis was laid on anti-terrorism, including operational cooperation between police forces, and cooperation to counter money laundering and terrorist financing.

Finally, the 2004 joint statement set out the two countries' agreement on reciprocal annual visits of heads of government and foreign ministers. Such regular visits did subsequently ensue, although British politicians seemed to visit India more frequently than Indian politicians visited the UK—perhaps reflecting a greater urgency on the British side. Blair himself visited India again in September 2005.

In the wake of that visit, the Foreign and Commonwealth Office (FCO) released a new strategy report in March 2006. This pointed out that, as the world's largest democracy, India would exercise a growing influence in international affairs and on the global economy, in which 'India will be an increasingly significant strategic partner for the UK, building on our close links, shared values and common interests'.²⁴ Manmohan Singh made another visit to the UK in October 2006, as part of which both leaders addressed a specific UK–India investment summit. Among those present at this summit was Alistair Darling, the Secretary of State for Trade and Industry, who naturally stressed opportunities for economic trade and investment between the UK and India, but notably situated them in the context of a rising India's 'place as a true global economic superpower'.²⁵

In turn, the Chancellor of the Exchequer Gordon Brown paid a high-profile visit to India in January 2007, accompanied by 150 business people—the largest group to date to accompany a British leader on an India trip. During the visit, Brown outlined his aim to see British exports to India double by 2010 and quadruple by 2020. Not unsurprisingly, a key occasion in this visit was Brown's address to the Confederation of Indian Industry (CII). Brown was also instrumental in getting the Indo-British Partnership Network renamed in July 2007 as the UK–India Business Council, with government funding multiplied by a factor of more than 13 to raise it from £75,000 to £1 million. Brown then quickly again visited India in January 2008, this time as Prime Minister, complete with another large delegation of around 100 business people. In his second address to the CII in two years, itself a record, he made a point of highlighting the recently published book by India's Trade Minister, Kamal Nath, succinctly titled *India's century* and subtitled *The age of entrepreneurship in the world's biggest democracy*.²⁶ Apart from

²³ K. Raja Menon, 'The military phoenix: reviving Indo-British defence cooperation', in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 75–82; C. Raja Mohan, 'Reinventing the Raj: the future of Indo-British security cooperation', in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 59–66.

²⁴ FCO, *Active diplomacy for a changing world: the UK's international priorities* (London: The Stationery Office, 2006), pp. 24–5.

²⁵ Alistair Darling, speech to UK–India investment summit, 10 Oct. 2006, <http://webarchive.nationalarchives.gov.uk/20090609003228/http://berr.gov.uk/aboutus/ministerialteam/Speeches/page34077.html>.

²⁶ Kamal Nath, *India's century: the age of entrepreneurship in the world's biggest democracy* (New York: McGraw-Hill, 2007).

stressing primarily economic links between India and the UK, Brown also went on record as agreeing that he supported changes to the International Monetary Fund (IMF), the World Bank and the G8 structures 'to reflect the rise of India'.²⁷

Alongside these government initiatives, the UK legislature also involved itself in strengthening relations with India. The House of Commons Foreign Affairs Committee's 2007 report on south Asia opened with a section titled 'India rising'.²⁸ The Business and Enterprise Committee also took a direct interest in UK–India links. Its 2006 report, *UK–India trade and investment opportunities* warned that Britain was falling behind other competitors for the Indian market. Two years later, in its 2008 report *Waking up to India*, the committee argued that the UK needed to establish a 'relationship as special with India as the one we have enjoyed with the United States'.²⁹

Brown's target of doubling exports to India (to around US\$18 billion) by 2010 and quadrupling them (to around US\$36 billion) by 2020 was not met. As shown in table 2 overleaf, exports were some US\$9 billion in 2005/2006, rose to US\$12.52 billion by 2008/2009, but then receded to US\$10.68 billion by 2009/2010. Having then eventually recovered and increased to US\$15.82 billion in 2013/14, a subsequent fall back to US\$14.02 billion in 2015/2016 left Brown's 2010 doubling target still unmet and the 2020 target increasingly elusive.

David Cameron became a particularly keen advocate of strengthening links with India. This was already apparent in 2006 when, as leader of the opposition, in a newspaper article entitled 'We must forge a new special relationship—with India', he argued that 'it is time to look to where our strategic interests lie ... For too long, politics in this country has been obsessed with Europe and America. I attach the highest priority to Britain's relationship with India'.³⁰ The reason for this surprising shift away from traditional Conservative emphasis on the established 'special relationship' with the United States was explained in that article in terms of India's rise:

This is India's time. For most of the past half century we in the West have assumed that we set the pace and we set the global agenda. Well, now we must wake up to a new reality. We have to share global leadership with India ... we must recognise that India has established beyond argument, through its economic and political success, its right to a seat at the top table.³¹

As Prime Minister from 2010 to 2016, Cameron made three high-profile visits to India, in July 2010, February 2013 and November 2013. Ironically, between 2012 and 2014 the BBC World Service/Globescan opinion polls on UK public opinion showed an unexpected and puzzling sharp deterioration in the public estimation

²⁷ Gordon Brown, 'Building a new global society: the renewal of the international institutions', speech at the Chamber of Commerce, Delhi, 21 Jan. 2008, <http://www.nuclearsecurityproject.org/publications/speech-at-the-chamber-of-commerce-in-delhi>.

²⁸ House of Commons Foreign Affairs Committee, *South Asia* (London: The Stationery Office, 2007), pp. 3, 10.

²⁹ House of Commons Business and Enterprise Committee, *Waking up to India: development in UK–India economic relations* (London: The Stationery Office, 2008), p. 3.

³⁰ David Cameron, 'We must forge a new special relationship—with India', *Guardian*, 5 Sept. 2006.

³¹ Cameron, 'We must forge a new special relationship—with India'.

Table 2: UK trade with India, 1996–2016 (\$US millions)

	<i>UK–India trade total</i>	<i>UK exports to India</i>	<i>UK imports from India</i>	<i>Trade balance for UK</i>	<i>Volume rank in India's trade</i>
1996/7	4,180.97	2,133.96	2,046.91	+87.05	2
1997/8	4,535.68	2,443.29	2,092.40	+350.89	2
1998/9	4,476.77	2,621.37	1,855.40	+765.96	2
1999/2000	4,737.35	2,702.57	2,034.79	+667.78	3
2000/1	5,466.63	3,167.92	2,298.71	+869.21	3
2001/2	4,153.62	2,563.20	2,160.87	+402.33	3
2002/3	5,273.42	2,777.01	2,496.41	+280.61	4
2003/4	6,257.58	3,234.33	3,023.25	+211.08	5
2004/5	7,247.29	3,566.20	3,681.09	-114.90	5
2005/6	8,989.58	3,930.30	5,059.28	-1,128.98	6
2006/7	9,800.80	4,177.87	5,622.93	-1,445.06	7
2007/8	11,659.18	4,953.68	6,705.50	-1,751.81	8
2008/9	12,521.86	5,872.32	6,649.53	-777.21	12
2009/10	10,683.06	4,461.67	6,221.39	-1,759.72	13
2010/11	12,681.73	5,396.78	7,284.96	-1,888.18	16
2011/12	15,724.23	7,134.30	8,589.93	-1,455.63	19
2012/13	14,905.62	6,293.09	8,612.54	-2,319.45	18
2013/14	15,824.17	6,045.10	9,779.07	-3,733.98	17
2014/15	14,338.01	5,018.28	9,319.73	-4,301.46	18
2015/16	14,021.25	5,192.54	8,828.71	-3,636.18	12

Source: Ministry of Commerce (India), Export Import Data Bank, <http://www.commerce.nic.in/eidb/>.

of India (table 1), the positive/negative rating going down from 65/32 in 2012 to 43/42 in 2013 and 45/46 in 2014. Despite this drop in public perceptions of India, the official descriptions of the UK–India relationship continued to strengthen. In Cameron's first trip to India in 2010, the relationship was officially elevated to an 'enhanced partnership'; both sides aimed 'to substantially increase trade and significantly increase investment' between the two countries, 'noted the threats both our countries faced from terrorism, and welcomed the strong growth in our co-operation in countering it', and a memorandum of understanding on cultural cooperation was signed between the two governments.³²

³² FCO, 'India and the UK: an enhanced partnership for the future', joint press statement, 29 July 2010, <https://www.gov.uk/government/news/india-and-the-uk-an-enhanced-partnership-for-the-future>.

Whether it continued to be appropriate for Britain to provide aid to an evidently rising India became a political issue within UK debate at this time.³³ During 2011 and 2012, pointed negative comments appeared in some sections of the British media about aid to India in the light of the country's economic rise and space technology successes, while the Indian government announced that it neither wanted nor needed development aid from Britain.³⁴ These developments led the UK government to announce in November 2012 that aid to India would be formally stopped by the end of 2015. The official UK rationale for this termination of aid given by Justine Greening, the Secretary of State for International Development, was that 'India is successfully developing and our own bilateral relationship has to keep up with 21st-century India. It's time to recognise India's changing place in the world'.³⁵

Cameron's second trip to India, in February 2013, was backed up by a trade-orientated delegation consisting of 100-odd people. In the course of this visit, several memorandums of understanding (MoUs) were signed in a variety of areas. As well as an MoU on cooperation in the field of chemical, biological, radiological and nuclear safety, there were various education-related agreements under the UK-India Education and Research Initiative for 2013-16 (namely, MoUs on a framework for skills development, a framework on implementation of community colleges, and a framework for implementation of a school leadership programme). These were worthy enough, but scarcely of major importance. Although the joint statement issued on this visit was entitled 'A stronger, wider, deeper partnership', it could be argued that the partnership was becoming wider without necessarily becoming much deeper.³⁶ On 11 March 2013, in the immediate aftermath of Cameron's visit to India, the UK Department of Science and Technology and India's Department of Electronics and Information Technology signed a programme of cooperation in the field of industrial research and development. By the end of the year BBC sources were suggesting that, 'in a striking reversal of roles', Cameron was 'looking like a slightly desperate suitor in Indian eyes, trying to persuade Britain's old colony to give him another chance'.³⁷

The UK emphasized the economic importance of the relationship in the wake of the election of Narendra Modi to power in India in May 2014. In the UK, Cameron reiterated his commitment to the British-Indian relationship at the annual luncheon of the Conservative Friends of India on 10 July 2014. Meanwhile, also in July,

³³ Will Straw and Alex Glennie, *In aid of India? Defining a positive role for the UK* (London: Institute for Public Policy Research, Feb. 2013).

³⁴ See e.g. 'Why are we giving £1bn aid to India? A nation with three times as many billionaires as we have (and its own space programme)', *Daily Mail*, 15 Feb. 2011; 'Halt India aid', *Sun*, 1 Feb. 2012; 'India tells Britain: we don't want your aid', *Daily Telegraph*, 4 Feb. 2012.

³⁵ Justine Greening, 'Update on aid to India', 9 Nov. 2012, <https://www.gov.uk/government/speeches/justine-greening-update-on-aid-to-india>.

³⁶ UK and India, 'Joint statement. India and the UK: a stronger, wider, deeper partnership', 19 Feb. 2013, <https://www.gov.uk/government/world-location-news/india-and-the-uk-a-stronger-wider-deeper-partnership>.

³⁷ Andrew North, 'David Cameron's India challenge', BBC News, 13 Nov. 2013, <http://www.bbc.co.uk/news/world-asia-india-24908003>. See also Chris Ogden, 'UK-India relations: the courtier and the courted', *South Asia@lse*, 6 Oct. 2014, <http://blogs.lse.ac.uk/southasia/2014/10/06/uk-india-relations-the-courtier-and-the-courtied/>.

a large UK delegation headed by the Foreign Secretary William Hague and the Chancellor George Osborne travelled to India. It was no surprise that Osborne stressed the economic potential of the relationship in terms of trade and investment opportunities. More revealing was Hague's profile of the UK–India relationship:

We want to be a leading partner as Prime Minister Modi presses ahead with his plans for development and growth ... We want to connect India with leading British companies that have the skills, expertise and experience to help you achieve the infrastructure projects, the investments in science and innovation, and the improved healthcare your government is planning.³⁸

Hague's explicit positioning of these economic prospects as 'first', preceding his comments on education as 'second' and foreign policy as 'third', represented a conscious ranking in importance.

This UK courtship of India was finally reciprocated by a visit by Modi to London in November 2015. While there were some street protests over human rights issues in India, these were overshadowed by the high-profile event at Wembley Stadium, where India's Prime Minister was introduced by Cameron and then went on to address a crowd of around 60,000, virtually all from the Indian diaspora in Britain. Another high-profile event on the same visit was Modi's address to business leaders at the London Guildhall. This attracted high expectations and a degree of hyperbole from British businessmen like Richard Holmes, the European chief executive of Standard Chartered Bank, who asserted that 'a new glorious chapter in UK–India relations is beginning'.³⁹ Modi also addressed the British parliament, and enjoyed a private retreat at Chequers with the Prime Minister.

In the course of Modi's 2015 visit, alongside the usual joint statement, the two governments also signed a joint vision statement, a civil nuclear cooperation agreement,⁴⁰ a joint statement on energy and climate change and an MoU on technical cooperation in the Indian rail sector. Forthcoming UK investment in Indian health care (a 'strategic partnership in healthcare') and water management (through the UK–India Water Initiative) were also announced. The two governments further resolved to agree on a new Defence and International Security Partnership (DISP) with particular emphasis on strengthening cyber security, counterterrorism and maritime security. It was perhaps more revealing from a UK perspective that the Prime Minister's office chose to stress the 'more than £9 billion in commercial deals agreed during Prime Minister Modi's visit', which would create or safeguard 1,900 UK jobs.⁴¹

By 2016 it was clear that India's rise represented a structural shift within the international economy and international system. As Sajid Javid, the UK Secretary

³⁸ William Hague, speech in Mumbai, 7 July 2014, <https://www.gov.uk/government/speeches/foreign-secretary-begins-visit-to-india-with-mumbai-speech>.

³⁹ Richard Holmes, 'Prime Minister Narendra Modi visit: a new glorious chapter in UK–India relations is beginning', *City A.M.*, 14 Nov. 2015.

⁴⁰ Keith Parker, 'Tackling the energy deficit: British business and India's nuclear power industry', in Johnson and Kumar, eds, *Reconnecting Britain and India*, pp. 195–200.

⁴¹ Prime Minister's Office, 'More than £9 billion in commercial deals agreed during Prime Minister Modi visit', press release, 13 Nov. 2015, <https://www.gov.uk/government/news/more-than-9-billion-in-commercial-deals-agreed-during-prime-minister-modi-visit>.

of State for Business, Innovation and Skills, wrote in *India matters*, ‘as the balance of economic and political power shifts around the globe, we’re at a key juncture in the development of relations between India and the UK’.⁴² It is to the current politics and the current economics of the relationship, as of mid-2016, that we now turn.

The current politics of the partnership

The political aspect of the relationship encompasses the institutional, defence and political links that have taken shape during the last decade, as well as the eruption of India into the politics of the UK referendum campaign during the first half of 2016.

The UK has established and maintained various institutionalized mechanisms in its relationship with India since the late 1990s. At the ministerial level are four: the Foreign Office Consultations, the Economic and Financial Dialogue, the Joint Economic and Trade Committee (JETCO), and the Science and Innovation Council. These four ministerial mechanisms sit underneath the heads of government summits, which have become more frequent in the last decade. Nine other mechanisms involve officials and experts nominated by the government. These are the DCG, the Joint Working Group on Counter Terrorism and Strategic Dialogue, the Joint Working Group on Cyber Security, the UK–India Financial Dialogue, the UK–India CEO Forum, the UK–India Business Council, the UK–India Education Forum, the UK–India Education and Research Initiative (UKIERI) and the UK–India Round Table. These mechanisms remain shallow rather than deep, but continue to multiply—as with the announcement in 2015 that a new annual Senior Official Dialogue on South Asia, including maritime issues, would be set up.

One further institutional link was created with the designation in January 2016 of Alok Sharma as the Prime Minister’s Infrastructure Envoy to India. He immediately participated that month in the eighth ministerial-level Economic and Financial Dialogue alongside the British Chancellor of the Exchequer George Osborne and the Indian Minister of Finance Arun Jaitley. Sharma then joined Harriet Baldwin, the Economic Secretary to the Treasury, in an official trip to India in February 2016 to promote UK–India collaboration on infrastructure financing.

A different sort of institutional mechanism has evolved among the British Indian community of almost 1.5 million, creating the often-cited ‘people to people’ links which, according to the UK government, represent ‘new opportunities’.⁴³ These people to people links have involved education and economic linkages; they have also facilitated the emergence of politicians such as Alok Sharma and Priti Patel who have become directly involved in UK diplomacy towards India. Both India and now the UK have recognized the importance of these links. In 2003 India

⁴² Sajid Javid, ‘Foreword’, in British Council, *India matters*, p. 2.

⁴³ Priti Patel, ‘New opportunities are now opened up for deeper ties between the UK and India’, speech to Gujarat Chambers of Commerce, 7 Jan. 2015, <https://www.gov.uk/government/speeches/new-opportunities-are-now-opened-up-for-deeper-ties-between-the-uk-and-india>.

established the Pravasi Bharatiya Divas conventions as a high-level platform on which the overseas Indian community could engage with the Indian government. In November 2013 the UK in turn formally appointed a UK–India Diaspora Champion, a post appropriately enough handed to Priti Patel. In that role Patel welcomed the regional Pravasi Bharatiya Divas convention held in London in 2014, and led the UK delegation to the main Pravasi Bharatiya Divas conventions held in New Delhi in 2015 and 2016. Patel’s argument there in 2015 was that the Indian diaspora played a ‘vital’ role in UK–India links, since ‘building ties between our two great nations—the UK and India—isn’t just an activity for governments’ but ‘every member of the UK Indian diaspora community ... through business, trade and investment, tourism, education, culture, or family ties, plays a part in strengthening the relationship between our two nations’.⁴⁴ In 2016 Patel’s message to the Pravasi Bharatiya Divas convention was firmly economics-focused: ‘of course, the economy is also a priority ... which will also underpin our growing relationship’.⁴⁵

With regard to defence links, the DCG, created during the post-Cold War period of India’s rise and headed by India’s Defence Secretary and the UK’s Permanent Under-Secretary for Defence, has run since 1995. At the Cameron–Modi summit in November 2015 the two countries announced that they would move towards holding annual strategic dialogues between the defence ministers, and between the joint/integrated and single service chiefs. A further feature of defence cooperation has been joint UK–India military exercises, notably the Konkan naval exercises held since 2004 on a bi-annual basis in the Indian Ocean, the Indra Dhanush air force exercises held since 2006, and the Shamsheer Bugle army exercises held since 2010.

India has sought to diversify away from its previous reliance on Soviet/Russian weaponry. However, in doing so it has turned to other western powers, such as the United States and France, rather than to the old colonial power Britain. Admittedly, some defence supplies do go from the UK to India: for example, a deal was struck in 2010 between BAE Systems, Rolls-Royce and India’s leading aerospace company Hindustan Aeronautics for the UK to supply 57 Hawk trainer aircraft to India. Nevertheless, where India has looked to western Europe it has been France rather than Britain that has reaped the rewards of India’s growing military acquisitions programme. This was clearly shown in 2012 when India chose the French-built Rafale over the Eurofighter Typhoon, which was partly made by BAE Systems, as the preferred supplier of 126 fighter planes for its fast-expanding air force.

A defence equipment MoU of 1997 between Britain and India aimed at encouraging defence-industrial partnerships, including joint ventures, co-production

⁴⁴ British High Commission, New Delhi, ‘Priti Patel to lead UK delegation to Pravasi Bharatiya Divas convention’, 6 Jan. 2015, <https://www.gov.uk/government/world-location-news/priti-patel-to-lead-uk-delegation-to-pravasi-bharatiya-divas-convention>, accessed 28 April 2016.

⁴⁵ Priti Patel, ‘Excerpts from the speech’ (Pravasi Bharatiya Divas convention), *Asian Lite News*, 8 Jan. 2016, <https://asianlite.com/news/uk-news/priti-offers-help-to-fulfill-modi-vision/>.

and joint product development.⁴⁶ But more than a decade passed by before the envisaged cooperation could begin in even a limited way. Projects to date include collaboration between Agusta Westland and Tata Sons to build a facility in Hyderabad for the production of AW119KE light transport helicopters; the establishment by Mahindra & Mahindra and BAE Systems of a joint venture for producing a range of armoured vehicles; and an agreement between Hindustan Aeronautics and Rolls-Royce to jointly assemble engines for the Hawk Advanced Jet Trainer. Under the letter of arrangement on India–UK collaboration in defence research and technology signed in September 2011, UK defence scientists from the Defence Science and Technology Laboratory have been engaged in four longer-term collaborative projects with Indian defence scientists at the Defence Research and Development Organisation. However, five years later, the results are still awaited.

In terms of foreign policy, India and the UK share similar sentiments on combating piracy across the Indian Ocean and on weakening jihadist groupings such as the Taliban, Al-Qaeda and Islamic State in Iraq and Syria (ISIS). The announcement in 2015 that a new annual Senior Official Dialogue on South Asia, including maritime issues, was to be set up may reflect common veiled concerns about China's growing naval challenge to India in the Indian Ocean. In this connection it is worth noting comments made by the British Secretary of State for Defence, Michael Fallon, in a speech of October 2014, in which he recognized a structural shift, whereby 'today we are seeing a rebalancing of power, resources and strength away from Europe, as states like India rise and rise'.⁴⁷ Drawing an implied contrast with China, Fallon argued in that same speech that 'the reason we work so well together in the British and Indian militaries is that we share a set of common values. At the heart of these is a shared belief in democracy'—which, of course, did not extend to China.

The common values shared by Britain and India as parliamentary democracies—the UK as the world's oldest and India as the world's largest—are frequently rehearsed. However, in the wake of sectarian atrocities carried out in Godhra in 2002, in the state of Gujarat where Narendra Modi was chief minister, a ban was placed by the Labour government on Modi's visiting Britain, and remained in place until 2012. The decision by the Conservative–Liberal Democrat coalition government to instruct the FCO to initiate discussions with Modi in October 2012 showed economics trumping normative politics, with the Confederation of British Industry (CBI) welcoming 'this political decision', which, it said, 'helps build stronger commercial relations'.⁴⁸ During 2013 it became clear that Modi's Bharatiya Janata Party (BJP) was likely to win the forthcoming 2014 Indian general election. The legacy of the 2002 riots remained a sensitive issue in UK politics, as became apparent when the invitation issued to Modi in September 2013 by

⁴⁶ Richard Oliver, 'The opening door: opportunities for defence industrial cooperation between the United Kingdom and India', in Johnson and Kumar, eds, *Reconnecting Britain and India*, p. 83.

⁴⁷ Michael Fallon, 'The United Kingdom and India together in an uncertain world', speech at the Vivekanand International Foundation, New Delhi, 30 Oct. 2014, <https://www.gov.uk/government/speeches/the-united-kingdom-and-india-together-in-an-uncertain-world>.

⁴⁸ Mark Runacres (CBI India Office), cited in Andrew Buncombe, 'UK renews ties with minister linked to deadly Indian riots', *Independent*, 11 Oct. 2012.

the Labour Friends of India parliamentary grouping was subject to heated debate in Labour circles, prompted demonstrations in London by the Asian Solidarity Forum against the proposed visit, and was eventually declined by Modi.⁴⁹ Nevertheless, just months later, in April 2014, both the Labour Friends of India and the Conservative Friends of India invited Modi to come to the House of Commons to speak on 'The future of modern India'.

Upon Modi winning national power in May 2014, a UK delegation quickly visited India, as already noted, headed by the Foreign Secretary and the Chancellor but also including Priti Patel, the UK–India Diaspora Champion. Patel argued that 'Modi has shown that he is a man who can deliver stronger economic ties with the UK' and that consequently 'greater trade between the UK and India will take place. Businesses in Britain will reap the benefits of the resurgent UK–India special relationship'.⁵⁰ It was again the politics of India's economic power that made it politic for the UK government to give Modi an enthusiastic welcome to London in November 2015. If Modi as prime minister pursues a domestic agenda too strongly characterized by Hindu nationalism (*Hindutva*), then this could become a cause of political friction with the UK government. However, on the religious front, Modi's Hinduism has so far been projected through the adoption of yoga and also the Buddha as tools of 'soft power' through public diplomacy and spirituality, complemented domestically by an economic modernization programme. Meanwhile it is the economic aspect of Modi's India that is of most concern to the UK.

The final political aspect of the UK–India relationship is the way in which links between the two countries have been affected by Britain's membership of, and relationship with, the EU. Any wish the UK may have had to adjust its trade relationship with India was constrained by the supranational powers of the EU through the common commercial policy in matters of interstate trade and tariffs. Negotiations for an EU–India free trade agreement were started in 2007, but subsequently languished.

Trade arrangements between the UK and India became an issue during 2016 in the campaign leading up to the UK referendum on whether or not Britain should leave the EU. Boris Johnson, leading the Brexit campaign, argued in typically trenchant style that 'today it is the EU straitjacket that is actually preventing us from engaging with the rest of the world', since 'locked in the EU, we cannot do free-trade deals with some of the fastest growing economies—in South-East Asia, China, India or the Americas—because our trade policy is entirely controlled by the EU Commission'.⁵¹

⁴⁹ Jon Wilson, 'If we stand for the politics of "One Nation"—we cannot support Narendra Modi. An open letter to Iain McNicol', *Labour List*, 17 Aug. 2013, <http://labourlist.org/2013/08/if-we-stand-for-the-politics-of-one-nation-we-cannot-support-narendra-modi-an-open-letter-to-iain-mcnicol/>; cf. Meghdad Desai, 'Appraising Narendra Modi', *Labour List*, 31 Aug. 2013, <http://labourlist.org/2013/08/appraising-narendra-modi/>.

⁵⁰ Priti Patel, "'Achche Din"—why good days are coming for Britain's relationship with India', *Conservative Home*, 14 July 2014, <http://www.conservativehome.com/thecolumnists/2014/07/priti-patel-mp-achche-din-why-good-days-are-coming-for-britains-relationship-with-india.html>.

⁵¹ Boris Johnson, 'London is a global city—that's why we must leave the EU', *Evening Standard*, 15 June 2016. The issue had earlier been flagged within the Conservative Party by Amandeep Bhogal, 'Partnership with India is

This line was taken further by Priti Patel in an important statement for the Vote Leave campaign which was also released in the Indian media.⁵² In this particular statement she argued that structural shifts were in operation: ‘while the EU is losing influence globally ... India is taking a leadership role on the world stage. The UK ... is keen to work more closely with India to support its [India’s] ascent’, and ‘in closer partnership together we can support more free trade and cooperate on other issues such as international security’. As regards trade, Patel further argued in the same statement that ‘although the focus of the Conservative government on enhancing our relationship with India has led to an increase in trade since 2010, we could go further if we were not held back by the vested self-interests of the EU’. She concluded her statement by predicting that ‘voting to leave the European Union would be a massive boost to UK–India relations’, opening up ‘new opportunities for the UK and India to cooperate more closely and develop stronger trading links’. In the light of the referendum vote to leave the EU, these campaign speculations on UK–India relations took on greater force.

The current economics of the partnership

The economics of the partnership between the UK and India are of primary importance to the British side. India’s rise is economics-driven and so is the UK’s response.⁵³ As the 2015 UK–India joint statement affirmed, ‘India’s economic development and rise as a global power affords opportunities to further deepen and extend this partnership to foster economic growth’.⁵⁴ A gradually declining UK is faced with a rapidly rising India which is overtaking it in the world economic rankings. In 2016, the IMF recorded notional GDPs of US\$2.85 trillion (fifth place) for the UK and US\$2.09 trillion (seventh place) for India. However, when these figures are subjected to purchasing power parity (PPP) calculations, they show that India has already overtaken the UK, with India appearing at US\$8.64 trillion (third place) and the UK at US\$2.76 trillion (ninth place).⁵⁵

In his first official trip to India in 2010, Cameron clearly acknowledged this economic shift in one piece penned for the Indian media, in which he told his readers that ‘from the British perspective, it’s clear why India matters. Most obviously, there is the dynamism of your economy ... economic power is shifting ... I’m not ashamed to say that’s one of the reasons why I’m here in India’.⁵⁶ The

the future—the hidebound EU is the past’, *Conservative Home*, 21 Oct. 2014, <http://www.conservativehome.com/platform/2014/10/amandeep-singh-bhagal-partnership-with-india-is-the-future-the-hidebound-eu-is-the-past.html>.

⁵² Priti Patel, ‘Statement’ (How UK India relations will be strengthened by leaving the EU), Vote Leave, 24 Feb. 2016, <https://m.login.connect.facebook.com/voteleave/photos/a.512228762287386.1073741828.505084413001821/556891701154425/?type=3&p=80>; text repeated in ‘Brexit will give massive boost to India–UK ties. Priti Patel’, *Hindustan Times*, 23 Feb 2016.

⁵³ Jason Burke, ‘Now India is growing fast it’s time to update our tired image of the country’, *Guardian*, 14 Feb. 2016.

⁵⁴ UK and India, ‘2015 joint statement on the United Kingdom–India summit’, 12 Nov. 2015, <https://www.gov.uk/government/news/joint-statement-on-the-united-kingdom-india-summit-2015>.

⁵⁵ IMF, *World economic outlook* database, April 2016, <http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx>.

⁵⁶ David Cameron, ‘A stronger, wider, deeper relationship’, *The Hindu*, 28 July 2010.

make-up of the British delegation, which as noted above was the largest ever, was indicative of a UK focus on the economic opportunities offered by the UK–India relationship. The business members of the delegation included the bosses of Barclays, Vodafone and SAB Miller. Some trade deals ensued, such as that noted above between BAE Systems, Rolls-Royce and Hindustan Aeronautics to supply Hawk trainer aircraft. This deal was worth about £700 million, of which more than £500 million was for BAE Systems and up to £200 million for Rolls-Royce, and would support some 200 British jobs. Cameron noted that the deal was ‘evidence of our new, commercial foreign policy in action’.⁵⁷

The CBI, which is close to the Conservative administration, has been struck by ‘the sheer size of the [Indian] domestic market—fuelled by growing purchasing power and size of the Indian middle class’.⁵⁸ Simon Moore, the CBI’s international director, argued for trade *to* India and investment *from* India, asserting that ‘building further trade links with key [Indian] markets is mission critical to boosting growth, creating jobs and enhancing productivity across the UK’, and that ‘Indian investment in the UK is strategically important for our manufacturing, services and IT sectors’.⁵⁹ The CBI has set up its own UK–India mechanisms, reopening its own India office in New Delhi in 2012. The CBI also initiated its Indian Banquet event at London’s Mansion House in September 2015, an occasion attended by the UK–India Diaspora Champion Priti Patel and dozens of senior business people. Having accompanied Cameron on his official visit to India in 2013, two years later the CBI director-general John Cridland remained clear about the significance of India’s rise: ‘As any CEO knows, it’s all about the numbers and India’s numbers are impressive. The World Bank recently identified India as the world’s fastest growing economy ... India is on the up’.⁶⁰

From a UK perspective the most important feature of India’s economic rise is the trade and investment opportunities it presents for the UK. A growing Indian economy brings with it a growing potential market for the UK, but there is a recognizable sense of urgent pursuit in the UK’s anxiety that India should choose the UK as a prominent trade and investment partner. Priti Patel warned in 2013 that ‘other countries already recognise the potential economic benefits of increasing trade relations with India and if we take our eye off the ball then investment opportunities, jobs and growth will be lost to them’, and that ‘competition for trade and investment is increasing and we must do all we can to position Britain as a reliable, dependable and first-rate trading partner India can feel confident doing business with’.⁶¹

⁵⁷ ‘David Cameron launches Indian trade drive’, BBC News, 28 July 2010, <http://www.bbc.co.uk/news/uk-politics-10784317>.

⁵⁸ CBI, *Sterling assets: India* (London: CBI, 2015), p. 6.

⁵⁹ CBI, ‘CBI praises UK/India business ties as Narendra Modi visits’, 11 Nov. 2015, <http://news.cbi.org.uk/news/cbi-praises-uk-india-business-ties-as-narendra-modi-visits/>.

⁶⁰ CBI, ‘CBI chief hails “unbeatable combination” of UK and India’, 17 Sept. 2015, <http://news.cbi.org.uk/news/cbi-chief-hails-unbeatable-combination-of-uk-and-india>.

⁶¹ Priti Patel, ‘Why we must strengthen our relationship with India’, *Conservative Home*, 18 Nov. 2013, <http://www.conservativehome.com/thecolumnists/2013/11/from-priti4witham-why-we-must-strengthen-our-relationship-with-india.html>.

Trade

With regard to trade, it is uncertain how far the UK is significantly benefiting from India's rise. As a *Financial Times* piece noted in November 2015, 'India should be a good strategic trade partner for the UK ... [but] it is not'.⁶² The figures in table 2 show trade growing, but erratically and more slowly than envisaged by Gordon Brown, and the UK going down in importance as a trading partner for India. A modest growth of UK exports to India has been overtaken by higher growth of Indian exports to the UK. This means that a shrinking UK surplus/Indian deficit during 1996–2004 has been replaced by a generally growing Indian surplus/UK deficit since 2004.

During Cameron's first prime ministerial trip to India in July 2010, when the strategic partnership was raised to an enhanced partnership, the British and Indian leaders decided that the two countries should aim at the doubling of bilateral trade turnover in the next five years. However, this has not happened. Table 2 shows that overall UK–India trade was US\$12.68 billion in 2010–11, giving a doubling target of around US\$25 billion by 2015. In the event, overall UK–India trade peaked at US\$15.83 billion in 2013/14 before drifting backwards to US\$14.39 billion in 2014/15 and US\$14.02 billion in 2015/16. Tellingly, within this overall picture, UK exports to India have fallen back, from US\$7.13 billion in 2011/12 to US\$6.30 billion in 2012/13, US\$6.05 billion in 2013/14 and US\$5.02 billion in 2014/15, rising thereafter only slightly to US\$5.20 billion in 2015/16. This pattern of declining UK exports to India lay behind Cameron's statement on his 2013 trip to India that 'India can be a difficult country to do business in' and that he wanted to see UK firms playing a bigger role in a 'more open, more flexible' Indian economy.⁶³ This less than satisfactory trade relationship was reflected in the 2013 UK–India joint statement, in which it was 'agreed that while substantial progress had been made since the last Summit, there was considerable potential for further expanding the relationship, particularly in trade'.⁶⁴

Cameron famously told Indian audiences in 2013: 'Yes, it's a partnership about business ... and that's why I'm here; Britain wants to be your partner of choice'.⁶⁵ However, the plain statistical fact that is clear from the figures for the period 1997–2016 shown in table 2 is that India is choosing other trading partners. If we look at India's trading partners, from a starting rank position of 2 (second only to the United States), the UK had dropped to 3 by 1999/2000, to 4 by 2002/2003, to 5 by 2003/2004, to 6 by 2005/2006, to 7 by 2006/2007, to 8 by 2007/2008, and more sharply thereafter to 19 by 2011/12. Some, but only some, of this lost ground was recovered after 2012 as the UK crept back up to rank 12 in 2015/16.

Cameron first came to power in May 2010 and left office in June 2016. If we look at the statistics for the years 2010–16 shown in table 2, we see that during this period

⁶² Valentina Romei, 'The UK and India: a match not made in trade', *Financial Times*, 11 Nov. 2015.

⁶³ 'David Cameron urges India to open up to British business', BBC News, 18 Feb. 2013, <http://www.bbc.co.uk/news/uk-politics-21495635>.

⁶⁴ British High Commission, New Delhi, 'India and the UK: a stronger, wider, deeper partnership'.

⁶⁵ Cabinet Office and Prime Minister's Office, 'David Cameron's speech at Unilever offices in Mumbai', 18 Feb. 2013, <https://www.gov.uk/government/speeches/david-camersons-speech-at-unilever-offices-in-mumbai>.

the value of UK–Indian trade went up from US\$10.7 billion to US\$14.0 billion. Within that overall total, UK exports to India increased from US\$4.46 billion to US\$5.2 billion, whereas UK imports from India increased more substantially from US\$6.2 billion to US\$8.8 billion. This produced a growing trade deficit, rising from US\$1.76 billion to US\$3.6 billion. Finally, during Cameron’s period in office the UK went from 13 down to 19 in rank order of importance for India, rising only to 12 at the end of his tenure. When Cameron came into office the UK was ranked behind the United Arab Emirates (UAE), China, the United States, Saudi Arabia, Germany, Switzerland, Singapore, Australia, Iran, Hong Kong, South Korea and Indonesia in the list of India’s trading partners; when he left office, the country was still behind China, the United States, the UAE, Saudi Arabia, Switzerland, Germany, Hong Kong, South Korea, Indonesia, Singapore and Japan.

Investment

Trade forms one economic face of the UK–India relationship; investment flows form the other. Hence Rüdiger’s argument in 2008 that ‘the real story behind the improvement of economic relations between the UK and India lies in the flow of capital in the form of foreign direct investment’.⁶⁶

Since the early years of the century, foreign direct investment (FDI) from the UK into India has risen but then fallen. Figures from the UK Office of National Statistics (table 3) show UK-to-India FDI gradually rising from £1.7 billion in 2004 to £3.5 billion in 2008, then jumping sharply over the next three years to £13.6 billion in 2011, before receding to £5.1 billion in 2012 and £3.6 billion in 2013. The Indian statistics show a further decline, recording a peak FDI flow of US\$7.87 billion for 2011/12, dropping to US\$3.25 billion by 2013/14, to US\$1.44 billion by 2014/15 and US\$898 million by 2015/16.⁶⁷ The UK was the second largest direct investor in India in 2003, but by 2015/16 had slipped back to eighth position behind Singapore (US\$13.70 billion), Mauritius (US\$8.36 billion), the United States (US\$4.19 billion), the Netherlands (\$2.64 billion), Japan (\$2.61 billion), Germany (\$986 million) and the UAE (\$985 million).

In the other direction, FDI flows from India to the UK have become an increasingly important part of the UK–India relationship. The British Department of Trade and Investment reported 122 new FDI projects from India during 2014/15, which created 7,730 new jobs and safeguarded 1,620 existing ones.⁶⁸ This represented a 65 per cent increase in the amount of FDI from India coming into the UK, making India the third biggest source of FDI for the UK after the United States and France.

Indian investment in the UK and the associated employment has become a factor in British politics. Overall, by 2016 there were reckoned to be more than 800 Indian-owned businesses in the UK, employing nearly 110,000 people, of whom

⁶⁶ Katerina Rüdiger, *The UK and India: the other ‘special relationship’?* (London: Work Foundation, 2008), p. 18.

⁶⁷ Department of Industrial Policy and Promotion, fact sheet on foreign direct investment, March 2016, http://www.dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx.

⁶⁸ Department of Trade and Investment, *UKTI inward investment report 2014/2015* (London, 2015), pp. 12–13.

Table 3: UK–India FDI, 2004–13 (£ billions)

	<i>India to UK</i>	<i>UK to India</i>	<i>Net</i>
2004	0.2	1.7	1.5
2005	0.5	2.1	1.6
2006	0.8	2.0	1.2
2007	1.4	2.9	1.5
2008	3.6	3.5	-0.1
2009	1.9	9.3	7.4
2010	2.8	10.9	8.1
2011	2.9	13.6	10.7
2012	2.1	5.1	3.0
2013	1.9	3.6	1.7

Source: UK Office of National Statistics, The UK's trade and investment relationship with India, 18 Nov. 2015, <http://www.ons.gov.uk/ons/rel/international-transactions/outward-foreign-affiliates-statistics/the-uk-s-trade-and-investment-relationship-with-india/index.html>.

over 69,000 worked in the Tata group of companies.⁶⁹ Of particular significance for the UK were transactions by the Indian giant Tata: specifically, the acquisition by Tata Global Beverages of Tetley Tea in 2005, by Tata Steel of the former British Steel works at Scunthorpe and Port Talbot in 2007, and by Tata Motors of Jaguar Land Rover in 2008. It was the last of these transactions that lay behind Modi's comment to the British parliament in 2015 that 'it takes an Indian icon, Tata, to run a British icon and become your nation's largest private sector employer'.⁷⁰ It was no coincidence that the UK–India CEO Forum, set up in 2010, has been co-chaired by Tata. Other significant Indian international firms coming into the UK include the IT companies Infosys and Wipro, and the pharmaceutical companies Piramal and Cipla.

The post-Brexit future

A new chapter in UK–India relations was signalled on 24 June 2016, with the outcome of the referendum on a British exit (Brexit) from the European Union. As noted above, it had been frequently suggested during the referendum debate that UK trade with India had been held back by the constraints of EU supranational jurisdiction in trade negotiations. The key issue was how quickly the UK would now be able to negotiate a free trade agreement with India outside previous EU constraints. India's continuing economic rise and UK concerns about over-

⁶⁹ *India meets Britain 2016: tracking the UK's top Indian companies* (London: Grant Thornton), p. 7.

⁷⁰ Modi, 'Speech by Prime Minister in the British parliament', 12 Nov. 2015, <http://www.mea.gov.in/Speeches-Statements.htm?dtl/26015/>.

reliance on Chinese investment now make it all the more important for the UK to strengthen economic links with India as economic links with the EU seem to be destined inevitably to weaken. Indeed, in the immediate aftermath of the referendum result Sajid Javid, the Secretary of State for Business, Innovation and Skills, was dispatched in July 2016 to India, where he announced: 'I am in India today to launch these initial trade discussions. There is a strong bilateral trade relationship between our 2 countries and I am determined that we build on this'.⁷¹ Simultaneously, in London in July 2016, CBI Director-General Carolyn Fairbairn attended the Confederation of Indian Industry's annual conference, which was focused on the future of UK-India economic relations. Despite the CBI having argued against Brexit, she now invoked the new mantra that Britain was 'open for business', and that 'to an investor in the UK, India represents two things—opportunity and openness. With the fastest growing economy in the world, at 7.5% GDP growth, it's perhaps no surprise that the UK is sitting up and taking notice'.⁷²

The shape of post-referendum politics became clearer with the subsequent arrival of Theresa May in No. 10 Downing Street in July 2016. She brought to the premiership an interest in further strengthening counterterrorism cooperation with India, already signalled in her official trip to India in November 2012 as Home Secretary. As Prime Minister, she announced that article 50, the trigger for the formal two-year negotiation of exit terms from the EU, would be invoked by the end of March 2017. Looking beyond EU exit, she also announced that the UK would be seeking closer economic links with India. However, government talk of restrictions on immigration that would potentially affect Indian professionals and students struck a discordant note in the UK-India relationship, specifically at variance with all the talk about 'people to people' links.⁷³ A spate of ministerial visits to India ensued over the following months.

Alok Sharma (David Cameron's former Infrastructure Envoy to India), made India the destination of his first official visit in July 2016, only a week into his appointment as Minister for Asia and the Pacific. The Foreign Office was upbeat about the event:

Mr Sharma will hold talks with Indian government ministers, senior officials and business leaders to make clear that Britain is open for business and that India and the UK share a dynamic future on the world stage ... our two countries have a natural affinity and enjoy a genuinely strategic partnership that we want to take to the next level. Our existing bonds in security and defence, business, innovation, education and culture are stronger than ever.⁷⁴

⁷¹ Department for Business, Innovation and Skills, 'Business Secretary to launch preliminary trade talks with India', press release, 8 July 2016, <https://www.gov.uk/government/news/business-secretary-to-launch-preliminary-trade-talks-with-india>.

⁷² 'CBI tells CII London conference: Britain is open for business', *IndiaGB News*, 6 July 2016, <http://indiagbnews.com/enterprise/cbi-tells-cii-london-conference-britain-open-business/>.

⁷³ Sunny Hundal, 'Theresa May is bad news for Indians looking towards Britain', *Hindustan Times*, 22 July 2016; Prasun Sonwalkar, 'UK announces more curbs on visa; decision to hit Indian students, professionals', *Hindustan Times*, 4 Oct. 2016.

⁷⁴ FCO, 'Foreign Office minister Alok Sharma visits India', press release, 24 July 2016, <https://www.gov.uk/government/news/foreign-office-minister-alok-sharma-visits-india>.

Ironically, during the referendum campaign Sharma had been a member of the 'British Indians for IN' group. He now argued that post-Brexit the core of UK–India links remained intact: 'At the heart of the burgeoning UK–India relationship are our strong people-to-people links. With over one and half million British Indians in the UK, our ties with India are naturally strong'.⁷⁵

Mrs May appointed Liam Fox as Secretary of State for the newly established Department for International Trade, at the heart of whose purpose was the conclusion of trade agreements with significant countries including India. He felt the purpose of his own visit to India in August 2016 was clear—to show how important the new government views our trade partnership with India—and asserted that 'this partnership lies at the very heart of the strategic relationship between our two nations'.⁷⁶ Fox's positive talks with his counterpart Arun Jaitley, the Indian Finance Minister, included broader discussions on a new Free Trade Agreement (FTA) between India and the UK, as well as more detailed discussions on how officials from India and the UK were being tasked with jointly exploring the creation of an India–UK sub-fund within India's National Investment and Infrastructure Fund (NIIF), designed to attract equity investments for development. At the Indian High Commissioner's reception for the Conservative Friends of India, held in October 2016, Fox stressed the 'phenomenal potential' for India–UK trade relations while Boris Johnson, the Foreign Secretary, stressed the role of India as a 'huge market' for British exports.⁷⁷

Greg Clark, the Minister for Business, Energy and Industrial Strategy, visited India in August 2016, where he held talks with Indian ministers and business leaders, and pushed the desirability of closer trade relations. Both Clark and Fox returned to India in November 2016, alongside Theresa May, to speak at the newly established UK–India Tech Summit, and with Fox holding the regular JETCO meeting with his Indian counterpart.

Priti Patel, the Secretary of State for International Development, also visited India in August 2016.⁷⁸ She was immediately upbeat about UK–India prospects, in which 'the prosperity agenda for India is enormous through bilateral trade' with the UK.⁷⁹ She asserted that 'once we leave the EU ... we will have the opportunities to conduct bilateral deals on commerce and trade. My government is incredibly positive about that, and so I might add, is the government of India'.⁸⁰ She argued, in a triple progression, first, that 'now is the time for our two great

⁷⁵ Alok Sharma, 'Happy Independence Day', *AsianLite News*, 15 Aug. 2016, <https://asianlite.com/news/uk-news/sharma-lauds-india-uk-relations/>.

⁷⁶ Department for International Trade, 'International Trade Secretary visits Delhi and Mumbai on maiden visit to India', 30 Aug. 2016, <https://www.gov.uk/government/news/international-trade-secretary-visits-delhi-and-mumbai-on-maiden-visit-to-india>.

⁷⁷ Indian High Commission, London, 'High Commissioner Navtej Sarna hosted a reception for the Conservative Friends of India', *Facebook*, 5 Oct. 2016, <https://www.facebook.com/IndiaInUK/posts/1112112778904725>.

⁷⁸ Department for International Development, 'Priti Patel hails strategic partnership between the UK and India', 15 Aug. 2016, <https://www.gov.uk/government/news/priti-patel-hails-strategic-partnership-between-the-uk-and-india>.

⁷⁹ Priti Patel, 'Ties with India to improve now: UK Minister', interview, *The Hindu*, 14 Aug. 2016.

⁸⁰ Priti Patel, 'Government of India isn't worried by Brexit, expect trade to increase now', interview, *The Hindu*, 13 Aug. 2016.

nations to deliver on an ambitious, strategic UK–India partnership that is fully equipped for the 21st century’; second, that, ‘in particular, I believe that with Britain’s decision to leave the EU, there is an even greater opportunity to forge a deeper, wider, stronger partnership with India’; and third, that ‘now, more than ever before, the UK is excited about India’s development, its dynamism, potential and the opportunity around its renewed economic growth and prosperity’.⁸¹

The economics-centred focus of the UK government was apparent in Mrs May’s visit to India in November 2016, where she was accompanied by Liam Fox and Greg Clark, as well as 40 heads of UK industries. UK hopes were clearly signposted as being: ‘PM leads trade mission to India to “reboot an age-old relationship in this age of opportunity”’.⁸² Apart from holding direct discussions, she and Modi inaugurated the first UK–India Tech Summit, at which she stressed the future potential rather than the past in UK–India relations, ‘despite the continued existence of the barriers to trade and barriers to co-operation’.⁸³ She was clear on converging processes, whereby ‘as the UK leaves the EU and India continues its rise in the world, we should seize the opportunities ahead’ to shape the ‘natural partnership’ between the two countries.⁸⁴ The joint statement agreed by the two governments ‘recognised the increasing role of India as a global player’ and pointed out the two-way nature of economic links, in which both countries were ‘taking a shared stake in each other’s prosperity, generating jobs, developing skills, and enhancing the competitiveness of our 2 economies and opening up new markets for both of us’.⁸⁵

As to the practical outcome of her visit, over £1 billion worth of deals were signed. Two further memorandums of understandings were drawn up; firstly a MoU on ease of doing business and a MoU for cooperation in the field of intellectual property. Three new developments came out from the summit. First, a senior UK–India dialogue on home affairs issues was set up, to take place bi-annually and be chaired at permanent secretary/secretary level. Its remit covered visas, ‘returnees’ (the return of Indians with no right of abode in the UK) and organized crime. Second, faced with Indian criticisms of UK visa restrictions, an adjusted Registered Traveller Scheme was flagged up as a way to expedite movement of Indian professionals into the UK, along with future prospects of increasing the granting of visas if India moved to take back more ‘returnees’. Last but certainly not least, the summit also announced the formation of a joint working party to consider ways of increasing trade and services between the countries. The British Prime Minister was clear on the immediate and longer-term post-Brexit purpose of the joint working group. She considered it as important identifying ‘what

⁸¹ Priti Patel, ‘Priti Patel on the UK–India relationship’, *Eastern Eye*, 24 Aug. 2016.

⁸² Prime Minister’s Office, ‘PM leads trade mission to India to “reboot an age-old relationship in this age of opportunity”’, 6 Nov. 2016, <https://www.gov.uk/government/news/pm-leads-trade-mission-to-india-to-reboot-an-age-old-relationship-in-this-age-of-opportunity>, accessed 6 Nov. 2016.

⁸³ Theresa May, ‘Prime Minister’s speech’, UK–India Tech Summit, 7 Nov. 2016, <https://www.gov.uk/government/speeches/india-uk-tech-summit-prime-ministers-speech>, accessed 7 Nov. 2016.

⁸⁴ Theresa May, ‘PM statement’, 7 Nov. 2016, <https://www.gov.uk/government/speeches/pm-statement-following-bilateral-talks-with-prime-minister-modi-7-november-2016>, accessed 7 Nov. 2016.

⁸⁵ UK and India, ‘Joint statement between the governments of the UK and India’, 7 Nov. 2016, <https://www.gov.uk/government/news/joint-statement-between-the-governments-of-the-uk-and-india>, accessed 7 Nov. 2016.

more we can do now before the UK leaves the EU to remove barriers to business' between the UK and India, an immediate remit which 'will pave the way for securing a deeper trade and investment relationship once the UK has left the EU'.⁸⁶

Conclusions

By the end of 2016 it had become clear that free trade arrangements between Britain and India were wanted by both sides; but that formal negotiations would have to wait until the two-year period for Britain's departure from the EU came to its conclusion, as envisaged by early 2019. As already noted, Michael Wyatt pinpointed the challenge of shaping a 'new equilibrium' in UK–India relations during the 1990s, when the international environment was undergoing systemic change.⁸⁷ Now the challenge will be to establish a new post-Brexit equilibrium after 2019. As India continues its economic rise, it would seem that UK–India links will move onto a new level after that date, with increased trade facilitated by an FTA. The key challenge then for the UK will be how to address its previous deteriorating trade balance with India.

One key feature of the publicly proclaimed 'enhanced strategic partnership' between Britain and India is the fact of asymmetric importance: that is, the UK has been running after India rather than India running after the UK. This can be seen on both the political and the economic fronts.

With regard to the political front, the asymmetry is indicated by Cameron's three official visits to India in 2008, 2010 and 2013. The UK government may indeed have felt that 'relations with India are at the top of the priorities of the UK's foreign policy', but it is clear that relations with the UK are not at the top of the priorities of India's foreign policy.⁸⁸ A gap of nearly a decade elapsed between Manmohan Singh's visit to London in 2006 and Modi's in November 2015. Modi's own priorities were made apparent by the visits he made more promptly after taking office in May 2014: to the United States (September 2014, September 2015), Japan (September 2014), Australia (November 2014), China (May 2015) and Russia (July 2015). In their different ways, all these countries are of more significance to India than is the UK. The officially proclaimed UK–India strategic partnership which had been seen in 2011 as being of only 'moderate importance' to India had probably become even more modest in importance for India by the end of 2016.⁸⁹ Indeed, on the eve of Theresa May's visit in November 2016, one Indian newspaper went as far as to say that the UK was 'strategically irrelevant' to India.⁹⁰

On the geopolitical front, India's main concern is with the Indo-Pacific region, while Britain's shrinking horizons have been, up to Brexit, shaped by the transatlantic relationship with the United States and that across the Channel with the

⁸⁶ May, 'PM statement'.

⁸⁷ Wyatt, 'India and the United Kingdom', p. 227.

⁸⁸ 'Relations with India top priority, David Cameron tells Modi', *Times of India*, 14 Nov. 2014.

⁸⁹ Satish Kumar, ed., *India's strategic partners: a comparative assessment* (New Delhi: Foundation for National Security Research, 2011), p. 14.

⁹⁰ 'Delhi must seek most favourable terms for a future India–Britain trade deal', *Hindustan Times*, 4 Nov. 2016.

EU. Thus Kalyanaraman has argued that ‘the UK’s limited importance for India is partly a function of the steady decline in its [the UK’s] relative power over the last six decades’ *vis-à-vis* India’s rise in relative power, ‘which has translated [for the UK] into a diminished presence in Asia’.⁹¹ Post-Brexit the UK may indeed be looking outside Europe to rising powers and rising markets such as India. However, it remains unclear whether, in the context of its own priorities, India will now see the EU or the UK as the more important strategic partner.

Finally, on the economic front, trade between the two countries will probably continue to grow, especially if a post-Brexit FTA is eventually negotiated between the UK and India. India may indeed find it easier to negotiate a FTA with the UK than with the EU. It is though uncertain whether or not the UK’s growing trade deficit with India since 2005 (as shown in table 2) will widen further or narrow. The UK–India Business Council may have argued in August 2016 that ‘Brexit will make the UK’s relationship with India even more important’; but while that sense of the growing importance of bilateral trade links is undeniably true from Britain’s perspective, it is unclear whether it is equally true from India’s.⁹² It is also unclear whether Indian FDI will flow more strongly into the UK, or whether Indian investors will see the EU as the more attractive location. Overall, as India rises, it seems likely that in relative terms India’s economic importance for Britain will grow, even as Britain’s economic importance for India declines.

⁹¹ S. Kalyanaraman, ‘The limits of the India–United Kingdom defence relationship’, *Journal of Defence Studies* 7: 1, 2013, p. 229.

⁹² Simon Jones, ‘Things you need to know about Brexit’, UK–India Business Council, 16 Aug. 2016, <https://www.ukibc.com/things-need-know-brexit/>.