House of Commons

Business and Enterprise Committee

Waking up to India: Developments in UK–India economic relations

Fifth Report of Session 2007–08

HC 209

House of Commons

Business and Enterprise Committee

Waking up to India: Developments in UK–India economic relations

Fifth Report of Session 2007–08

Report, together with formal minutes, oral and written evidence

Ordered by The House of Commons to be printed 1 April 2008

HC 209
[Incorporating HC 1070-i, Session 2006–07]
Published on 21 April 2008
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Business & Enterprise Committee

The Business & Enterprise Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Business, Enterprise & Regulatory Reform.

Current membership

Peter Luff MP (*Conservative, Mid Worcestershire*) (Chairman)
Mr Adrian Bailey MP (*Labour, West Bromwich West*)
Roger Berry MP (*Labour, Kingswood*)
Mr Brian Binley MP (*Conservative, Northampton South*)
Mr Michael Clapham MP (*Labour, Barnsley West and Penistone*)
Mr Lindsay Hoyle MP (*Labour, Chorley*)
Mark Hunter MP (*Liberal Democrat, Cheadle*)
Miss Julie Kirkbride MP (*Conservative, Bromsgrove*)
Anne Moffat MP (*Labour, East Lothian*)
Mr Mike Weir MP (*Scottish National Party, Angus*)
Mr Anthony Wright MP (*Labour, Great Yarmouth*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via http://www.parliament.uk/parliamentary_committees/parliamentary_committees

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/parliamentary_committees/berr.cfm

Committee staff

The current staff of the Committee are: Eve Samson (Clerk), David Slater (Second Clerk), Robert Cope (Committee Specialist), Ian Townsend (Inquiry Manager), Anita Fuki (Committee Assistant), Lorna Horton (Committee Secretary) and Jim Hudson (Senior Office Clerk).

Contacts

All correspondence should be addressed to the Clerks of the Business and Enterprise Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5777; the Committee's email address is becom@parliament.uk

Contents

Report
Page

Summary 3

1 Introduction 5
Response to the previous Report, and developments since 5

2 UK Trade & Investment in India 9
Resources 9
Salaries 10
India's 'second cities' 10
RDAs and other institutions in India 12
The UK-India Business Council 14

3 Outstanding issues 17
Visas 17
Education, research and qualifications 18
JETCO: progress since the Report 21

4 EU-India trade negotiations 24
Prospects 24
New EU trade talks and the world trade system 25
Possible content of an EU-India RTA 27
Transparency and information-sharing 28

5 Conclusion 29

Conclusions and recommendations 31

Formal Minutes 37

Witnesses 38

List of written evidence 38

List of unprinted evidence 39

List of Reports from the Committee during the current Parliament 40

Summary

There has been a significant improvement in economic relations between the UK and India since the 2006 report from the Trade and Industry Committee, which urged greater engagement with India. Both Government and private sector bodies have worked to achieve this. The sizeable investments and deals made both by Indian companies in the UK and British companies in India are encouraging signs of a deepening relationship which should benefit both countries. The establishment of the UK-India Business Council is perhaps the most tangible manifestation of this. This new report welcomes the improved climate, but identifies areas for further work.

Recent shocks to the world's financial markets should remind policy makers and business people that nothing can be taken for granted. India's economy has recently enjoyed growth rates of around 9% a year; it is possible this will slow slightly in 2008 and 2009. The country faces significant challenges, such as real poverty, poor infrastructure and public sector bureaucracy. However, as our predecessors noted, the Indian market is liberalising. India is an emerging market with much to offer. It would be wrong to pretend that no barriers to trade or investment remain, but there are real opportunities for those who are prepared to take advantage of them.

We need to establish a relationship as special with India as the one we have enjoyed with the United States. This will require determination on both sides—and a willingness to address issues both large and small. Not all the barriers to a deepened relationship are on the Indian side. The recommendations in this report on education links, on visas, on the future of JETCO, on the work of UKTI and on trade negotiations need to be seen against this wider backdrop.

The United Kingdom has woken up to India, but progress must not now be slowed in response to global concerns or expressions of doubt about India's future. Even if India grows more slowly than other emerging markets, in a country of over a billion people the opportunities created would still be huge. The United Kingdom is uniquely well placed to take advantage of them, to the benefit of both partners.

1 Introduction

1. In June 2006 our predecessor committee, the Trade and Industry Committee, published *Trade and Investment Opportunities with India*.[1] The Report noted the growing importance and influence of India in the world economy, and came to three main conclusions, on which its detailed recommendations were based:

- despite the UK's shared history and commercial ties with India, the UK was not as engaged with India's markets as it could be, while the UK public's perception of India had been seriously distorted by the media focus on the perceived threat to employment from outsourcing of jobs, particularly from call-centres;[2]
- businesses in the UK did not always appreciate or take full advantage of the rate at which the Indian market was liberalising (although uniform and continuous progress could not be assumed);
- UK institutional arrangements for trade and investment support within India were enthusiastic but confusing—there were too many overlapping bodies with ill-defined responsibilities—and these efforts required greater focus.[3]

2. In April 2007, the Trade and Industry Committee announced the current inquiry as a 'one year on' follow-up to examine progress since the Report. It has been continued by this, its successor committee. We received written evidence from a range of organisations, and also took oral evidence from the UK-India Business Council, UK Trade and Investment officials, and the Trade and Investment Minister, Lord Jones of Birmingham, and the Trade and Consumer Affairs Minister, Gareth Thomas MP, in the Department for Business, Enterprise & Regulatory Reform (BERR).[4] We are grateful to all those who gave evidence to this inquiry. This evidence is annexed to this report which puts on record our support for some major positive developments since 2006, and highlights those issues which still need to be addressed.

Response to the previous Report, and developments since

3. The evidence we have received suggests that perceptions of India among UK businesses have improved considerably since 2006, but that further progress still needs to be made. The UK India Business Council (UKIBC) told us that there had been "an escalation in the awareness and interest in India",[5] and that "British business has definitely woken up to

1 Trade and Industry Committee, *Trade and Investment Opportunities with India*, Third Report of Session 2005–06(HC 881-I, 2005–06) hereafter referred to as HC (2005–06) 881; http://www.publications.parliament.uk/pa/cm200506/cmselect/cmtrdind/881/881i.pdf, and Government Response (Fifteenth Special Report of 2005-06, hereafter referred to as HC (2005–06) 1671) http://www.publications.parliament.uk/pa/cm200506/cmselect/cmtrdind/1671/1671.pdf

2 HC (2005–06) 881, para 74

3 ibid.

4 Lord Jones is a joint minister between the Department & Business, Enterprise & Regularly Reform (BERR) and the Foreign & Commonwealth Office, while Gareth Thomas is a joint minister between BERR and the Department for International Development.

5 Q63

India […] there is real momentum building”.[6] However, although the UKIBC’s Chairman, Lord Bilimoria, considered there was a special relationship between UK and India, he warned that the “potential is far greater than what we are actually achieving at the moment”.[7]

4. Certainly, investments both from the UK to India and from India to the UK have increased, and there have been many recent high-value deals. These include the takeover of India’s fourth largest mobile operator, Hutchison Essar, by Vodafone of the UK, which at around £5.5 billion[8] was “the largest foreign investment in India’s history”.[9] In the other direction, there were takeovers of Whyte & Mackay by United Breweries Group, and of Corus by Tata, while Ford confirmed the sale of Jaguar and Land Rover to Tata Group on 26 March 2008.[10] UK Trade & Investment considered that “UK investment is high – reflecting the fact that many companies are using non-export models to pursue their business with India”, such as business process outsourcing (or offshoring), while UKTI stated that investments in the other direction “should bring India into the big league of investors in terms of value in 2007.”[11]

5. The Trade and Consumer Affairs Minister, Gareth Thomas, said one effect of such investment deals “has been to increase the sense of urgency […] about British businesses’ desire to get into the India market much more fully than they have been able to do.”[12] British Expertise said the Tata-Corus deal had “crucially improved foreign perceptions of India to new levels”.[13] The CBI also saw the deals as “positive developments”, “cause for encouragement but not complacency.”[14] UKIBC said it was “confident that recent high-profile deals are merely a precursor to a flood of similar activity in years to come”.[15] These investments in the UK by Indian businesses not only have a significant economic impact in their own right, but have also led to an increased awareness of the significance of the changes taking place in India itself.

6. UKTI told us that the previous Report had “made some valuable recommendations that added weight to UKTI’s decision to focus a greater proportion of resources on emerging markets, to give greater priority to our bilateral trade policy work in these markets and use our overseas network more strategically to achieve our objectives in India.”[16] Trade and Investment Minister, Lord Jones, said of the Report that UKTI “took it to heart and they worked with it as a basis for change”.[17] (The Committee also examined the new UKTI

6 Ev 61 (UKIBC) p2

7 Q65

8 Ev 72 (UKTI), para 2.3.6 and Ev 86 (UKTI) para 9

9 “Vodafone gets Hutch Essar bid clearance”, *Financial Times*, 7 May 2007, p22

10 “Land Rover and Jaguar become firm's latest British brands”, *The Guardian*, 27 March 2008

11 Ev 71 (UKTI), para 2.1.2

12 Q117

13 Ev 39 (British Expertise), para 4

14 Ev 49 (CBI), para 2

15 Ev 63 (UKIBC), p4

16 Ev 71 (UKTI), p2

17 Q109

strategy, *Prosperity in a Changing World*, intended to shift focus towards key emerging markets, in detail as part of its wider inquiry into the future of UK manufacturing.[18])

7. The Trade and Industry Committee recommended that the Indo British Partnership Network (IBPN) become "the *de facto* Indo-British Chamber of Commerce and so the natural voice of commerce in relation to Indian trade and investment issues."[19] **The IBPN has now been transformed into the UK India Business Council (UKIBC).[20] Its annual Government funding has been increased over thirteen-fold, from £75,000 to £1 million, an increase which we welcome unreservedly.** (This and other trade support changes are discussed in more detail below).

8. In addition, since the Report was published there has been a high level of ministerial engagement. There were 11 visits from ministers, devolved administration representatives, the Lord Mayor of London and the Mayor of London between October 2006 and June 2007 alone.[21] This engagement has been used to increase business links. A delegation of 150 business people accompanied the then Chancellor, Gordon Brown, on a visit to India in January 2007.[22] This was the largest ever delegation from the UK to visit India.[23] During this visit Gordon Brown outlined his aim "to double exports to India by 2010 and quadruple exports by 2020".[24] The newly appointed Trade and Investment Minister, Lord Jones of Birmingham, made India the destination for his first long-haul visit in September 2007.[25] Gordon Brown then visited India as Prime Minister from 20-21 January 2008,[26] accompanied by Lord Jones, the Secretary of State for BERR, John Hutton, and a delegation of around 100 business people.[27]

9. **After the warnings in the Trade and Industry Committee's 2006 Report that the UK risked falling behind its competitors in India, we are pleased to see that UK plc appears to have 'woken up' to India. The Trade and Industry Committee's Report contributed both to a change in attitudes in the UK towards India, and increased UK engagement with India.**

18 Trade and Industry Committee's Sixth Report of Session 2006–07, *Marketing UK plc - UKTI's five-year strategy* (Sixth Report of 2006-07) HC 557, June 2007; http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/981/981.pdf (and Government response (Fifth Special Report of 2006-07) HC 981, July 2007; http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/981/981.pdf)

19 HC (2005–06) 881, para 107

20 Q62

21 Ev 74 (UKTI), para 3.2.5; The second half of 2007 also saw visits from the Environment Minister, Foreign Office Minister responsible for South Asia, the Government's Chief Scientific Adviser, the Deputy First Minister of the Welsh Assembly Government, and the Mayor of London (from British High Commission in India, Visits page; http://www.britishhighcommission.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1168628069339)

22 Ev 74 (UKTI), para 3.2.5

23 Ev 74 (UKTI), para 3.2.5.In 2006 the delegation numbered 30 (Q63)

24 Speech by the Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, at the Confederation of Indian Industry, Bangalore, 17 January 2007; http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2007/press_06_07.cfm

25 A report of the visit can be found at Ev 85

26 "Visit of British Prime Minister the Rt Hon Gordon Brown MP", *Foreign Office press release*, 18 Jan 2008; http://www.britishhighcommission.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1059738704019&a=KArticle&aid=1199202779634

27 Q158

10. **In particular, we are delighted that the Report has contributed significantly to a shift in the Government's approach to trade with India. This includes sustained high-level involvement through UK ministerial visits to India, and visits from Indian ministers to the UK, and a substantial increase in funding for bilateral trade initiatives. We hope the visit to India by the Prime Minister and Lord Jones in January 2008 will lead to a further enhancement of bilateral links. We are pleased that the Government seems to be taking the opportunity to deal with the trade and investment issues that these visits offer.**

11. The first ever UK-India Investment Summit was held in London in October 2006, and addressed by the Prime Ministers of both countries, Rt Hon Tony Blair and Dr Manmohan Singh. A second investment summit had been planned alongside the prime ministerial visit originally scheduled for November 2007. However, no summit was held when the visit was delayed until January 2008, perhaps because the Prime Minister's visit lasted only one-and-a-half days, including a Sunday. While UKTI told us that the visit programme offered senior UK business people opportunities to discuss bilateral trade and investment matters with the Indian Prime Minister,[28] UKIBC said it was "disappointing that the Investment Summit did not happen as planned" although it also saw "a great deal of opportunity for engagement, and UKIBC seeks to actively encourage and support future dialogue."[29] **We note that the first bilateral UK-India Investment Summit held in 2006 has not, yet, been repeated. We encourage the Government to hold a follow-up summit and hope it will do so at an early date.**

28 Ev 85 (UKTI) para 1

29 Ev 69 (UKIBC)

2 UK Trade & Investment in India

Resources

12. UKTI's presence in India is its second largest after its operations in the US. The Government's response to the previous Report stated that "India is a high priority and the team will be strengthened as resources are released from other markets"[30] under UKTI's strategy, which was to focus on key emerging markets.[31]

13. We are pleased that this has indeed happened. At the time of the first Report there were 74 front-line commercial staff in India.[32] During this inquiry we were told there were expected to be 91 people in 'Team India' by the end of the 2007/08 financial year. This increase, of almost 23%,[33] modestly exceeds UKTI's stated aim of strengthening its resources in India by one fifth.[34] The 91 UKTI staff in India consists of 17 'UK-based' staff and a majority (74) employed on locally-engaged terms.[35] UKTI noted the India team had seen the appointment of a new Deputy Director, a Delhi-based Trade and Investment Director (now entirely dedicated to trade and investment work, rather than this being 40% of their job),[36] and a new First Secretary Commercial focused on financial services and UKTI's financial services 'City Strategy', based in Mumbai.[37] In addition, the Government is doubling the resources of its Science and Innovation Network, "critical to identifying and delivering R&D opportunities", from 5 to 10 staff.[38] The Trade and Investment Minister, Lord Jones, said that the additional resource "is already showing benefit".[39] On one measure, UK missions to India, there were 23 visits in the first quarter of 2007, compared with 19 in the same quarter in 2006.[40] We raised the issue of possible cuts to UKTI services following the 2007 Comprehensive Spending Review, but were assured by UKTI officials that India "certainly will not be affected in an adverse way",[41] and that their "starting position is that markets like India, China and other high priority areas will be left unaffected in the first period of our review."[42]

30 HC (2005–06) 1671, p5

31 Trade and Industry Committee's Sixth Report of Session 2006–07, *Marketing UK plc - UKTI's five-year strategy* (Sixth Report of 2006-07) HC 557, June 2007; http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/981/981.pdf

32 Ev 77 (UKTI), para 4.1.1

33 Ev 77 (UKTI), para 4.1.1

34 Q6

35 Ev 86 (UKTI), para 10

36 In addition there is now "dedicated resource in Delhi looking at infrastructure" an another person and one other working in JETCO and "trade policy interests with India" (Q6). In addition, in April 2007 UKTI appointed a new locally-engaged marketing manager to tailor the UK's image to the Indian market (Ev 78 (UKTI), para 4.2.3).

37 Ev 80 (UKTI), para 4.6.2 and Q6, and also Ev 85, para 3

38 Ev 77 (UKTI), para 4.1.2

39 Q123

40 Ev 80 (UKTI) paras 4.8.1 & 4.8.2

41 Q17

42 Q18

14. **The Trade and Industry Committee warned that an under-resourced UKTI team risked the UK missing the 'last train' in India.**[43] **We wholeheartedly welcome the increased resources available to UKTI in India. Their Report also identified a lack of familiarity with India and/or an inability to take advantage of the opportunities in India among UK businesses.**[44] **We believe that these additional resources will help to address remaining issues in this area. We also warmly welcome UKTI's reassurances that its India activity will be protected from any cuts from the 2007 Comprehensive Spending Review settlement.**[45]

Salaries

15. The quality of staff matters as much as, or perhaps even more than, the number employed, and it may be necessary to pay more to ensure good people are retained. British Expertise, the body promoting UK professional services, said that rapid growth and competition for talented staff in India were leading to difficulties in recruitment and retention in India.[46] The Trade and Investment Minister, Lord Jones, also noted that "skilled labour is becoming scarce" and that pay rates "are going up",[47] while UKTI officials said its staff were "highly qualified and very much in demand, so they are taken by other employers".[48] The Minister explained that a UKTI salary review has resulted in increases for most Indian posts this year (Mumbai excepted), and appeared to suggest that, in future, salaries would respond to local market pressures.[49] **We welcome the improvements in salaries following UKTI's review, and expect the situation to be closely monitored in future. Locally engaged staff account for over 80% of UKTI's human resource in India, and it is vital that UKTI is able to employ and retain the best.**

India's 'second cities'

16. The previous Report noted that skills shortages, along with infrastructure limitations, could lead to "the emergence of new centres of economic activity in less well known states and cities", and that UKTI must prepare companies considering India to "look to some of the less well-known cities."[50] The UK Government recognised the increasing importance of India's "second cities" in its response.[51] Apart from Mumbai and Bangalore for IT, Lord Jones also highlighted Chennai, Kolkata, and Hyderabad.[52] IBPN/UKIBC highlighted research that suggested development of India's 'Golden Quadrilateral', an area linked by roads between Delhi, Kolkata, Chennai and Mumbai, would put "less well-known states

43 HC (2005–06), para191

44 HC (2005–06), para 99

45 Q18

46 Ev 40 (British Expertise), para 8

47 Q124

48 Q10

49 Q124- 127; he said "then next year Mumbai can compete for and enjoy increases in pay as will the others" (Q124).

50 HC (2005–06) 881, para 186

51 HC (2005–06) 1671, para 8

52 Q135

and cities on the business map."[53] The City of London noted that delegates on the Lord Mayor's May 2007 visit were impressed by the opportunities emerging in Kolkata.[54] UKTI believes its current geographical coverage, in nine cities across India,[55] is appropriate for now, but said it would consider shifting resources "if there was demand."[56] The UKIBC is also commissioning research into India's second cities, which will help identify opportunities for UK businesses in them, with a report expected by the end of May 2008.[57] **India's growth continues, making the previous Report's conclusions on India's 'second cities' increasingly pertinent. UKTI believes its resources to be appropriately distributed at present, but it must be capable of moving resources in India rapidly as and when regional markets develop. We look to UKTI to take the results of the UKIBC research project into 'second cities' into account in due course.**

17. The Trade and Industry Committee examined UKTI's new strategy, focusing on emerging markets, in detail. Part of that strategy is the High Growth Markets Programme (HGMP), launched in early 2007 with £2.4 million funding to help medium-sized companies—or 'mid-corporates'[58]—enter 17 key emerging markets. This was intended to complement UKTI's traditional support for SMEs and large corporations, and UKTI's Asia Director noted that it was a "primary concern" that "it is the mid-corporate sector in the UK that needs more work".[59] We understand that 12 out of the planned 15 specialists, "recruited from the private sector and chosen for their business acumen",[60] have now been appointed.[61] Two HGMP specialists—one of the 12 appointed so far, and another yet to be appointed—have what UKTI's Asia Director called "a particular India focus",[62] but their portfolios are wider than India alone.[63] By contrast, there appear to be specialists dedicated to China, South Africa and Russia.[64] Nevertheless, UKTI highlighted three projects, mainly in the IT sector, that had already benefited from the HGMP: "a UK business trying to find an India partner to co-develop their product", another "trying to outsource some of their deliveries in India", and a third "attracting an Indian business into the UK as a partner."[65]

53 Ev 62 (IBPN), pp2-3, citing Goldman Sachs research

54 Ev 44 (City of London), p4

55 New Delhi, Chandigarh, Chennai, Bangalore, Hyderabad, Kolkata, Mumbai, Ahmedabad, and Pune, from UKTI India contacts page (accessed 15 January 2008); https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries?_nfpb=true&portlet_3_5_actionOverride=%2Fpub%2Fportlets%2FgenericViewer%2FshowContentItem&_windowLabel=portlet_3_5&portlet_3_5navigationPageId=%2Findia&portlet_3_5navigationContentPath=%2FBEA+Repository%2F325%2F226821&_pageLabel=CountryType1

56 Q11

57 "UK India Business Council seeks to Identify Second Tier India City Opportunities for UK Business", *UKIBC press release*, 16 January 2008

58 Ev 71 (UKTI), p2

59 Q4

60 "Lord Digby Jones leads drive for mid sized businesses to enter high growth markets", *UKTI press release*, 9 Jan 2008 http://www.newsroom.uktradeinvest.gov.uk/index.asp?PageID=3&PressReleaseID=925

61 At the time of the oral evidence in October 2007, ten of the specialists had been appointed (Q51).

62 Q51

63 One India specialist also covers the Middle East and South Africa, albeit with a "focus" on India (UKTI, *High Growth Markets Programme: India specialist profile*; https://www.uktradeinvest.gov.uk/ukti/fileDownload/HGMSpecialistProfileShakeelMughal.pdf?cid=408504 accessed 14 Jan 2008).

64 UKTI, High Growth Markets Programme web-page (accessed 25 Feb 2008).

65 Q51

18. **We welcome, as the Trade and Industry Committee previously welcomed, the strengthened focus on emerging markets adopted by UKTI under its new strategy. We also welcome the new resources from the High Growth Markets Programme, and look forward to India being given due weight in the Programme once the remaining specialists have been appointed. It is very important that UKTI carries out an assessment of their effectiveness in engaging the mid-sized corporate sector at the earliest appropriate moment.**

19. The British Chambers of Commerce told us that "large companies, rather than the SME community have been the main beneficiaries" of developments since the original Report.[66] The Trade and Industry Committee expressed the view that India was not necessarily a market for new-to-export SMEs.[67] The Minister for Trade and Investment, Lord Jones, agreed, saying that "we should not have too high an expectation" for SMEs in India, but that the "heat" of international competition should nonetheless be kept on them.[68] The UKIBC told us that "once we start to look at SMEs the conversion from awareness to intent to action will need much work by all stakeholders."[69] **We emphasise the importance of UKTI continuing to ensure that the SME sector is kept aware of appropriate opportunities in the Indian market, including any arising from supply chains supporting contracts secured by larger companies. We welcome the recent signing of a memorandum of understanding between the British Chambers of Commerce and its Indian counterpart, and hope that this will lead to a substantial increase in bilateral SME-to-SME contacts.**[70]

RDAs and other institutions in India

20. The Trade and Industry Committee highlighted the profusion of UK regional agencies' representation in India, which caused confusion for Indian companies in particular. It said that such direct representation was not necessary to promote trade or raise awareness, and that these bodies should use the existing UKTI network, with which Indians were more familiar and which they understood.[71]

21. The new UKTI strategy included a commitment to work with the regional development agencies and devolved administration representations overseas "to review their representation overseas and maximise effectiveness, ensuring that they deliver what is the best for the UK in a coherent manner"[72] by March 2008. In January 2008, the Trade and Investment Minister, Lord Jones, told us that while the review was complete, its findings were still being considered, suggesting final decisions might take "between three and six months".[73] He also said that he felt the UKTI-Regional Development Agency (RDA) relationship had "improved in the last six months quite a lot", and that he was now

66 Ev 38 (BCC), para 1

67 HC (2005–06) 881, para 186

68 Q118

69 Ev 60 (UKIBC), p2 (memo submitted as IBPN, the UKIBC's predecessor)

70 Q53

71 HC (2005–06) 1671, para 4

72 Ev 78 (UKTI), para 4.3.1 (deadline also in HC (2005-06) 1671, para 4)

73 Q128-129

"a bit more optimistic" than he had been six months before.[74] In fact the review was published on 5 March. The Chief Executive of UKTI, Andrew Cahn, told us that the review had found that co-ordination could be improved, and UKTI will now "lead the co-ordination of a fully integrated overseas network", across England, while working alongside the devolved administrations.[75] These arrangements are to be trialled in three pilot—or 'pathfinder'—markets in mid-2008, and then fully implemented by April 2009. **While we are pleased that UKTI has acted promptly on its review of regional inward investment and trade support arrangements, we have not yet studied in detail the substantial pieces of analytical work on which the review was based. It is very likely that the Committee will return to this issue in the future.**

22. In India specifically, UKTI told us that two regional bodies had decided to 'co-locate' their offices with diplomatic posts.[76] The RDAs representing South East and South West England are to co-locate with the British High Commission in Mumbai.[77] Invest Northern Ireland had also expressed interest in co-location.[78] No RDA has established offices in India since our previous Report.[79] **We support co-location of Regional Development Agency and devolved administration offices with posts, as appears to be happening in India, as this is likely to reduce confusion and duplication of effort. We also recommend that India be one of the three pilot markets suggested for trialling new inward investment arrangements.**

23. Since the last Report, several other organisations have established new offices in India. These include ThinkLondon, London's inward investment agency, the Mayor of London (in Mumbai and Delhi) and the City of London Corporation (in Mumbai). We also understand that UKIBC has appointed its first representative in India,[80] while the CBI has also been considering an office in India.[81] One of the analytical reports supporting UKTI's review of inward investment notes that the Committee on Overseas Promotion has an agreed co-operation framework between UKTI, RDAs and devolved administrations, but that this "does not include other parties who may also be involved in inward investment activity such as City Regions, Local Authorities, Chambers of Commerce or industry bodies."[82] **While the establishment of offices by different public and private sector organisations in India is a sign of genuine and committed UK interest, we are concerned that the influx of organisations, if not properly co-ordinated, will increase confusion, with too many bodies with overlapping objectives. We welcome the City of London's commitment to continue to liaise with UKTI and avoid duplication of effort.**[83] **We believe all organisations should co-ordinate with UKTI to ensure their**

74 Q130

75 Ev 88 (UKTI)

76 Ev 73 (UKTI), p3

77 Q24

78 Q20-21

79 Q24-25

80 Ev 69 (UKIBC)

81 Q28

82 "Research and Analysis of Overseas Representation", Arthur D. Little (ADL) report for UKTI, August 2007, p24 (from UKTI website)

83 Ev 42 (City of London), para 7

work complements UKTI's effort and does not duplicate or compete with it. We note the finding in the UKTI review that bodies involved in inward investment other than Regional Development Agencies and devolved administrations are not part of co-ordinated arrangements through the Committee on Overseas Promotion. UKTI should seek to bring these other bodies within the co-ordinating framework.

The UK-India Business Council

24. The Trade and Industry Committee recommended that the Indo-British Partnership Network (IBPN) become "the leading player for the private sector in the UK" and "the *de facto* Indo-British Chamber of Commerce and so the natural voice of commerce in relation to Indian trade and investment issues."[84] This recommendation has been fully implemented.[85] As we noted above the Government has delivered a massive increase in the IBPN's annual funding from £75,000 to £1 million from financial year 2007/08.[86] This increase in funding has enabled the IBPN to become the UK-India Business Council (UKIBC). The Trade and Investment Minister, Lord Jones, told us that the Government had given the UKIBC "the proper recognition and funding to really drive forward bilateral trade", and that it was "a fantastic vehicle for giving British business practical assistance and also access to key Indian policy makers to help deepen their understanding of the massive opportunities."[87] The increased funding has so far these been used to establish new offices, meet legal fees, and hire more staff,[88] with an increase from two to six persons (including a new Chief Executive),[89] and project-based work which accounted for around 40% of the total funding.[90]

25. **The Trade and Industry Committee's Report planted the seed for the new UK-India Business Council (UKIBC), and we warmly welcome its birth. We hope that it will continue to enhance bilateral trade and investment relations between UK and India. We thank all the members of the former Indo-British Partnership Network for their work, which has enabled its evolution into the more ambitious UKIBC.**

26. The Government expects UKIBC to match its increased funding with income from sponsorship, charging for its services, and membership charges (with a tiered model having been adopted in recognition of different members' ability to pay).[91] UKIBC's approach is to match-fund one third of the increased funding in year one, then two thirds in year two, before fully matching the funding in year three.[92] **We agree that the Government's increased financial commitment should be matched by a contribution**

84 HC (2005-06) 881, para 107

85 Lord Bilmoria said that "one of the results" of the previous Report was the upgrading to the UKIBC "with the additional funding from government and support." (Q62)

86 Ev 79 (UKTI) para 4.4.2

87 "UK Unveils Major Initiative to Strengthen Business and Investment Ties With India", *PR Newswire*, 27 September 2007; http://www.prnewswire.co.uk/cgi/news/release?id=208432

88 Around 30% set up costs and 30% on staff (Q72)

89 With plans for no more than ten staff (Q84)

90 Q72

91 Q69, Q77 & Q81, and Ev 69 (UKIBC)

92 Q80; we were told that, as a comparator, the China-Britain Business Council raises £1.5 million through services, events and membership, more than matching the £1 million Government funding (Q80).

from industry. We welcome the tiered cost approach to membership costs that has been adopted, but we urge the UKIBC to monitor the extent to which SMEs are effectively engaged in its activities. We expect the new UKIBC to build its membership across all sectors and sizes of UK and Indian businesses, and so truly become the *de facto* Indo-British Chamber of Commerce which the Trade and Industry Committee envisaged.

27. **Although there are legitimate demands for financial accountability from government, these must be managed in a way which does not compromise the independence of the UKIBC. The new organisation is not an arm of government: if it is perceived as such it will not be able to raise the necessary match-funding from the private sector. The UKIBC should be a voice for business and enterprise in government—both in India and the UK—and not vice versa. Any perception that it is simply an adjunct to UKTI will undermine its effectiveness. We expect UKTI and BERR to recognise this in their work with the UKIBC and accept that, if it is to flourish and build its reputation in the commercial world its freedom must not be unduly constrained.**

28. The China-Britain Business Council (CBBC)—a non-profit body, funded by UKTI—formed the template for the UKIBC. We note with interest that from 1 June 2007 the CBBC took over UKTI's provision of some China-related services. CBBC now deals with routine enquiries from UK companies on China, provides the Overseas Market Introduction Service (OMIS), delivers Market Selection Service Requests, and organises trade missions, seminars and events. UKTI continues to deal with market access and regulation issues, and Government-level interaction.[93]

29. UKTI officials said that they saw the UKIBC "potentially as an extension of our own delivery arm in the longer term, as we have achieved with the China British Business Council."[94] However, the Trade and Investment Minister said that the UKIBC would have "a completely different persona", as it was operating in a democracy, in a different way to the CBBC "on the ground", and with a different membership make-up.[95] When we asked the Trade and Investment Minister whether there was any prospect of UKIBC developing to deliver services in the same way as the CBBC, he said that "at this moment we do not think there is a need and, secondly, it [the UKIBC] is very new on the ground"— the CBBC has been operating for nearly 50 years[96]—"So will that happen in the future? I would not count it out. Is it in my plans, as I speak, for the next 12 months? No."[97] **During evidence taking, we speculated that providing UKTI services through the China-Britain Business Council rather than through UKTI could be interpreted as quiet 'privatisation' of UKTI services. This was not fully rebutted.**[98] **If such a process developed, it would represent a significant shift in UKTI policy, and one which, if successful, could raise**

93 "New role for Trade agency", *Overseas Trade*, Jul/Aug 2007; http://www.overseas-trade.co.uk/

94 Q36

95 Q139

96 Q83

97 Q143

98 When asked whether he was "quietly privatising UKTI", Lord Jones said "You might say that.I could not possibly comment" (Q144).

major issues for the way in which the organisation delivers its services. This is a matter to which the Committee may return in the future.

3 Outstanding issues

Visas

30. India is the UK's largest visa operation: a record 336,000 visas were issued in 2006 (20% up on 2005).[99] However, UKIBC told us that "there are some pitfalls in the system that if rectified could be of gross benefit to cross border investment."[100]

31. In theory, the Business Express Programme (BEP) allows companies to obtain visas for their employees within 24 hours.[101] However, one BEP-approved company told us that they were experiencing lengthy delays—18 days on average—in getting visas.[102] We raised this issue with UKTI,[103] and after investigation it appears that this was due to UKVisa's requirement from the end of March 2007 for BEP Work Permit and Highly Skilled Migrant Programme applicants to submit documentary evidence. This evidence was then verified by an outside company, taking around 15 days. UKTI said that BEP members were informed that if a company was screened by that outside company, "individual applications submitted by that company would not require further checks." The company concerned was cleared in June 2007, and UKTI told us that this should no longer be an issue.[104] We were also concerned that the criterion of having worked for the same employer for six months before being eligible under BEP was not consistent with the working methods of a fast-moving industry like India's IT industry.[105] **The Business Express Programme is welcome, and we expect that delays in obtaining visas will not be seen again in the future. The requirement for staff to have worked for a company for six months to be eligible for the Business Express Programme is a limitation which does not take into account the way in which companies in rapidly expanding sectors work and is, therefore, likely to damage UK-India trade. We welcome the Trade and Investment Minister's statement that this "is being looked at",[106] and hope a mutually acceptable solution can be found.**

32. UKIBC also told us that relaxation of the mandatory requirement for a degree in the Highly Skilled Migrant Programme would help, noting that "many talented skilled nationals indeed many entrepreneurs do not have a degree".[107] The UKIBC suggest that there "could be recognition of qualifications that are not degrees and a greater encouragement for Indians with certain skills to come to the UK."[108] It also proposed a range of other options, including promoting the "working holidaymaker scheme" in India, UK-India exchange schemes, and greater recognition of Indian qualifications which are

99 Ev 80 (UKTI), para 4.9.2

100 Ev 69 (UKTI)

101 Q167

102 Ev 37 (Arrk Group)

103 Q54-56

104 Ev 89 (UKIBC)

105 Q168 - 170

106 Q170

107 Ev 89 (UKIBC)

108 Ev 89 (UKIBC)

not of UK degree level. **We urge the Government to keep under review the possible improvements in visa and other related arrangements that could be made to the mutual benefit of the British and Indian economies. The UKIBC should be well positioned to give advice on this important issue.**

33. The UKIBC also noted that, being outside of the Schengen area, Indians resident in the UK require visas to enter those EU countries. As a result, procedures for business travel within Europe are restrictive for Indians resident in the UK, and this limits the ability of the UK to promote itself to Indian investors as the "gateway to Europe". When obtained, visas for travel to Schengen EU countries are usually single entry or for 3-6 months, which compares unfavourably to US and Canada "who often give 10 years multiple entry visas."[109] **We urge the Government to explore with Schengen countries how the visa regime for Indians resident in the UK and needing to travel to other EU countries could be eased, or periods of EU visa validity extended considerably.**

Education, research and qualifications

34. The Trade and Industry Committee highlighted that the UK had not been as good as its overseas competitors at promoting itself in India,[110] noting the relative success of the US in particular.[111] Although our predecessor Committee saw signs of this changing, it seems that the relative underperformance of the UK in Indian higher education has continued. Although UKTI told us that the flow of students to the UK was increasing, with over 23,000 Indian students currently studying in the UK (and another 5,000 studying for UK qualifications in India through partnerships with UK accredited institutions),[112] the UKIBC Chairman, Lord Bilmoria, said the UK's relative position had worsened. While numbers had risen five-fold in the last five years, "the reality is that the United States is still by far the number one destination for Indian students and at number two the Australians have overtaken the United Kingdom. […] we have got to continue to make it far more attractive for Indian students to come here and study".[113] The City of London raised concerns that the UK's share of Indian students studying abroad had fallen relative to the US, and fallen behind that of Australia which was now the second most popular destination.

35. The City of London told us that the attractiveness of study in the UK was being constrained by difficulties in securing visas (as noted above) and limitations on working in the UK after graduation.[114] The Trade and Industry Committee referred to the surprising anomaly that Indian graduates in Scotland can stay to gain employment experience (and income to recoup some of the cost of their studies) for two years, while such graduates can only remain in England and Wales for one year.[115] This is because the 'Fresh Talent Scheme' allows non-EEA nationals who have completed an HND, degree, masters or PhD

109 Ev 89 (UKIBC)

110 HC (2005–06) 881, para 127

111 HC (2005–06 881, para 123

112 Ev 81 (UKTI) para 4.9.3

113 Q95

114 Ev 43 (City of London), para 15

115 HC (2005-06), paras 145, 146

course at a Scottish university or college (while living in Scotland during their study) to apply to stay to work for up to two years in Scotland.[116] Indeed, the IBPN (in evidence prior to its transformation into the UKIBC) said that two years may not be enough, noting that some professional qualifications "can require three years or more".[117] These include accountancy where the time limit prevents individuals from gaining the work experience needed to qualify as a professional accountant in the UK, which takes 3-5 years.[118]

36. We agree with UKIBC that it is "vital that foreign students have the same opportunities to stay on in the UK and seek employment, regardless of where they studied."[119] **Despite the Trade and Industry Committee's earlier recommendations for change, it remains the case that after graduation, Indians who have studied in the UK can remain in Scotland for two years, while only being able to remain in England and Wales for one year. We call on the Government not only to end this anomaly by extending the period in England and Wales. It should also to extend the period students may remain in the UK for qualifications in those professions that require specific periods of work experience.**

37. Dr Vyakarnam, a UKIBC board member, told us that India saw knowledge and higher education as "essential" for "connecting to the knowledge base and the UK higher education institutions".[120] **We welcome the fact that the Government is "assessing the viability" of five-year research visas for research scientists visiting the UK frequently and look forward to hearing about the progress of this assessment.[121]**

38. UKIBC's official report of the visit to India by the Prime Minister and Trade and Investment Minister in January 2008 states that agreement was reached on an "Education Forum to work towards the early conclusion of an Education Partnership Agreement", and a memorandum of understanding regarding a "India-UK Higher Education Leadership Development Programme", and a range of other initiatives.[122]

39. There have been some successes in building higher education links. The UK-India Education and Research Initiative (UKIERI) aims to improve UK-India educational links through work on higher education and research, schools, and professional and technical skills. UKTI officials told us this was "very much on track", albeit a "work in progress".[123] UKTI estimated that it had "almost doubled substantial educational linkages between the UK and India in its first 18 months", with 190 new links and 25 'significant events' staged.[124] UKTI officials also said that there was "a huge appetite for expanding that

116 Ev 89 (UKIBC)

117 Ev 63 (UKIBC), p5

118 Ev 89 (UKIBC)

119 Ev 89 (UKIBC)

120 Q93

121 Ev 80 (UKTI), para 4.9.2,

122 UKIBC, "Official Report: UK Business Delegation and State Visit of Prime Minister Gordon Brown and Minister for Trade and Investment, Digby, Lord Jones of Birmingham, New Delhi, India, January 2008", p16; http://www.ukibc.com/news_details.php?news_id=11&contentid=14&sectionid=4

123 Q57

124 Ev 81 (UKTI), para 4.9.5

programme" to cover "business, education, vocational training and skill development".[125] The Trade and Industry Committee stated that funding for the UKIERI was insufficient.[126]

40. Many UK universities are seeking to engage more closely with India, and this process has been actively encouraged by the Indian High Commission in London. For example, the Indian government has provided funding to enable the establishment of the Jawaharlal Nehru Professorship in Indian Business and Enterprise at the Judge Business School in Cambridge. The Vice Chancellor of Cambridge University, Professor Alison Richard, who visited India in January of the year, told the committee, "The purpose of our visit to New Delhi, Bangalore, Kolkata and Mumbai was to increase the visibility of Cambridge's many links with India, to give formal recognition to some of our existing collaborations, and to explore and build new partnerships in both the academic and the industry sectors. […] Looking ahead, it is fundamentally important that Cambridge's relationships with India should be real partnerships, characterised by exchange rather than a one-way flow, and I am pleased to report that we signed five MOUs [Memoranda of Understanding] with academic institutions and industry, primarily to encourage Cambridge students and academics to spend time in India."[127] This includes an MOU on collaboration with the Confederation of Indian Industry (India's equivalent of the CBI), which the signatories believe will result in new opportunities in manufacturing innovation, entrepreneurial learning and sustainable development.[128]

41. **We welcome evidence of the growing interest by UK institutions in India but believe there is no room for complacency; the USA and Australia remain more attractive locations for Indian students and the UK Government must work closely with the Higher Education sector to ensure opportunities to build the kind of links being developed by Cambridge University are maximised.**

42. **Education and research links are a vital part of the bilateral UK-India relationship. We welcome the new Education Forum that is being established to work towards a bilateral Education Partnership Agreement, and look forward to the Government providing further details in its response to this Report. We repeat the Trade and Industry Committee's recommendation that the Government reassesses its level of commitment to the UK-India Education and Research Initiative with a view to increasing funding.**

43. The issue of mutual recognition of qualifications has been raised with the Committee by both the UK and India.[129] This is clearly a sensitive and difficult area, but the Trade and Consumer Affairs Minister suggested that a future EU-India trade agreement (see Chapter 4 below) could bring "opportunities for us to get some of our qualifications recognised

125 Q57

126 HC (2005–06) 881, para 175

127 Ev 92 (University of Cambridge)

128 "CII –University of Cambridge collaborate to work towards innovation and growth", *CII press release*, 6 Jan 2008

129 Q171 and Q49

within India, just as much as they have issues they want sorted out within the European Union."[130]

44. **We are concerned that, although more Indian students are coming to the UK in absolute terms, the UK's share is declining relative to its competitors, notably Australia. We call on the Government to undertake a comprehensive examination of the ways of making the UK a more attractive place to study for Indian students, including overcoming visa issues and increasing the length of time Indian students can remain in the UK after graduation.**

JETCO: progress since the Report

45. The previous Report looked in detail at opportunities in the Indian market by sector. The UK-India Joint Economic and Trade Committee (JETCO) is now the principal forum for bilateral discussions about trade barriers and liberalisation. Ministerial level JETCO meetings are held annually, and there have been four so far, the most recent being held in December 2007.[131] A number of working groups have been established, covering: agri-business, healthcare, high-technology, infrastructure, legal services, accountancy, financial services, and intellectual property rights.

46. Views on progress through JETCO so far were mixed. The CBI said that the JETCO process was "beginning to gather pace and deliver results in some of the main sectors".[132] However, it also cautioned that JETCO progress was "not comprehensive and members have voiced concern over the lack of clear objectives, deliverables and time lines for some parts of the process."[133] It said JETCO's "full potential has yet to be realised".[134] The Chairman of the UKIBC said JETCO was "a terrific process" which was "working very well", citing the 2006 bilateral investment summit as a direct outcome from JETCO.[135] He said the JETCO was "bringing business, the Civil Service and government from both countries together around the table in a structured way."[136]

47. There has been significant progress on discriminatory regional taxes and import tariffs on spirits, which were affecting UK whisky exporters in particular.[137] This appears to have been resolved since the Report: India is to reform its discriminatory tariffs on imported spirits, ending the levying of "additional charges" on wine and spirits that exceed the World Trade Organisation (WTO) permitted maximum (or 'bound') level. Pressure

130 Q172

131 Although details of this meeting are not currently available, JETCO meets at official level between each ministerial meeting, and the report of the July 2007 meeting is appended to this report..

132 Ev 49 (CBI)

133 Ev 50 (CBI), para 14

134 Ev 53 (CBI), para 28

135 Q63

136 Q88

137 HC (2005-06) 881, paras 38-41

applied by the UK through JETCO and by the EU appears to have been successful, and the EU's WTO dispute settlement case was suspended before full proceedings had begun.[138]

48. However, other areas have not seen such visible success. Many of the areas where there has been slowest progress are those the previous Report identified as the most protected sectors of the Indian market.[139] UKTI said the areas JETCO had focused on included services—financial, including banking and insurance, legal, accountancy, education and retail—and wine and spirits (as noted above). UKTI's evidence was not particularly encouraging on prospects for progress in financial services, which was "likely to be slow", and retail, where "there has not been movement on opening up general retail to FDI (Foreign Direct Investment)".[140] However, UKTI noted that new legislation was expected on education and accountancy.[141] On legal services, Clifford Chance told us that progress had been "disappointingly slow",[142] although they remained "confident that the JETCO process will have positive results for liberalisation."[143]

49. In January 2008, the Trade and Consumer Affairs Minister, Gareth Thomas, confirmed that the biggest blockages remained around financial, retail and legal services, while also noting that intellectual property rights and government procurement remained problematic. He said that these areas could all see "substantial progress" as a result of the EU-India free trade talks that have begun since the previous Report (this is discussed in more detail in chapter 4).[144] The Trade and Investment Minister, Lord Jones, told us that he had lobbied on legal and financial services during his September 2007 visit.[145] He also noted that India's infrastructure investment plans may result in autonomous liberalisation by India as it realised it would maximise the benefits of its own investment by using foreign (i.e. UK) legal, banking and accountancy expertise.[146]

50. **Aside from the success on tariffs on whisky imports, recent progress through JETCO in key areas for UK businesses—financial, legal, accountancy, and retail services—appears to have been slow. While we recognise the political challenges involved in addressing these issues in India, particularly in the run-up to a general election there, due by 2009, we believe that further liberalisation in these areas will bring real benefit to India itself. We therefore seek assurances from the British government that the JETCO ministerial meeting in December 2007 and the Prime Minister's January 2008 visit have given fresh momentum to the process. The JETCO**

138 A dispute panel was established in April 2007, and composed in June 2007, but an EU suspension request saw proceedings suspended in July 2007.They could in theory resume at any time (WTO dispute case DS352; http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds352_e.htm)/

139 The Report highlighted legal and insurance services (para 60), and called on the Indian Government to "liberalise fully the service sector and strongly urge the complete opening up of the financial services market". (para 90)

140 Q41

141 Q41

142 Ev 48 (Clifford Chance), para 7

143 Ev 48 (Clifford Chance), para 9

144 Q155.On intellectual property, the Science and Innovation Minister, Ian Pearson, has stated that timetable for implementing a bilateral IP action plan was to be discussed at the December 2007 JETCO meeting (HC Deb 12 November 2007 c57W)

145 Q38

146 Q117

system requires strong and sustained commitment on both sides if it is to deliver its potential benefits to both India and the UK.

51. There is scope for improving aspects of the way JETCO works. We were surprised that there are no working groups in either of the important areas of trade facilitation[147] or education. Asked whether there should be an education working group in JETCO, the Trade and Investment Minister, Lord Jones, did not fully address the question, although he did admit that education did not get sufficient recognition in the JETCO process, and in UKTI generally.[148] **We are surprised at the lack of working groups on education and trade facilitation. The Education Forum (noted in para 38 above) agreed earlier this year may bring progress, but we urge the Government to consider whether there are sufficient issues for an education working group within JETCO, especially if the Forum does not make speedy progress.**

52. UKTI officials said that the JETCO working groups on agriculture and health could benefit from further work on the UK side.[149] There also appears to be a problem in ensuring consistency between JETCO working groups' approaches. The UKIBC told us that it was to establish a JETCO website to increase the information on the groups' activities and consistency between them,[150] and indeed the UKIBC's website now includes JETCO pages detailing its purpose, achievements, UKIBC involvement, minutes from previous meetings and an organogram of the working groups and their chairs and membership (though as yet no specific details for each group).[151] UKIBC Chairman, Lord Bilmoria, also told us that the former IBPN had sought to get all JETCO chairs and co-ordinators together to share information and work on common issues.[152]

53. **We support initiatives to bring the chairs of the various JETCO working groups together, and if this works well we propose that this arrangement be formalised. We also strongly support the establishment of JETCO pages on the UKIBC website, and look forward to additional information on the various working groups' progress and activities being added in future. However, this web presence can only help improve consistency across the various working groups if the information it provides is accessed and used by all involved.**

147 Q47

148 Q174

149 Q45

150 Q92

151 See http://www.ukibc.com/content.php?contentid=18&sectionid=1 (accessed 25 February 2008)

152 Q92

4 EU-India trade negotiations

54. One of the most significant developments since the previous Report was the opening in June 2007 of bilateral talks on a regional trade agreement (RTA) between the European Union and India (EU-India RTA). The European Commission's estimates suggest that, on realistic estimates of the extent of liberalisation, this could be worth up to €40 billion a year (around £30.1 billion) to the EU in general.[153] The Federation of Indian Chambers of Commerce and Industry (FICCI) estimated that an RTA could see bilateral trade increase to $572 billion by 2015, a more than fivefold increase.[154] The Committee was not presented with estimates of the potential benefits accruing specifically to the UK, and the effects on bilateral UK-India trade.

Prospects

55. It is early in the EU-India RTA negotiations, and after three rounds of talks so far,[155] neither side has yet fully disclosed its position.[156] Last December, the Trade and Consumer Affairs Minister, Gareth Thomas, suggested the RTA talks could be completed by spring 2009 with "concerted effort from both sides."[157] In January 2008, the Minister said both sides wanted to secure agreement by the end of 2008, although the Government would not "lock ourselves" into that deadline as "the critical thing", rather than "the quality of what actually gets negotiated".[158]

56. Many submissions expressed enthusiasm for the EU-India talks.[159] The Chair of the UKIBC saw them as "an excellent idea".[160] However, for all the potential benefits to both parties, some important concerns have been raised with the Committee. ActionAid told us that that they "believe that rapid and deep liberalisation of trade and investment in India will worsen rather than improve the position of the poor and vulnerable in the country."[161] They expressed concern over the expected pace of liberalisation, inclusion of 'trade-related' issues (including investment, competition, and government procurement), and called for development-friendly rules of origin, which determine the eligibility of products to use the lower tariffs in any trade agreement.[162] The CBI said that, despite the "real opportunities" of such an agreement, the Doha Round "remains our top trade policy priority", and that EU-India RTA talks should not be pursued "at the expense of negotiating resources being shifted away" from the WTO talks.[163] It also called for an RTA leading to "rapid,

153 Based on exchange rates on 25 February 2008

154 "FICCI for removal of trade barriers with EU", *Business Line (The Hindu)*, 4 February 2008, p3 (via Factiva).Of this, $251 billion is accounted for by goods and $320 billion by services.

155 Ev 54 (European Commission) para 8

156 Q160

157 HC Deb 12 December 2007 c630W

158 Q161

159 Ev 53 (CBI) para 28, Ev 48-49 (Clifford Chance), para 10-12 and Ev 57 (Standard Chartered)

160 Q104

161 Ev 36 (ActionAid), para 3.3

162 Ev 36 (ActionAid), para 3.3

163 Ev 53 (CBI), para 28

substantial and comprehensive" Indian liberalisation, amid fears that any deal could be weakened through numerous product exclusions and exceptions.[164]

57. One commentator believed that both sides would find it difficult to tackle regulatory barriers in the others' markets, saying the odds of a "strong, WTO-plus EU-India FTA are slim indeed, but there is a strong chance of delivering a relatively weak FTA that, in practical terms, hardly goes beyond tariff elimination."[165] The extent of India's ambition in the talks was also raised by the European Commission, which was keen to see that negotiations resulted in real and additional market access on both sides.[166]

58. There have been recent reports that differences between the two sides have threatened the stated end-2008 deadline. A meeting in March was postponed until April. While progress has been seen on goods trade, a European Commission official has stated that intellectual property rights and government procurement were "not the areas for hurried negotiations".[167] Another Commission spokesman has said that 2008 "is not our deadline for concluding negotiations with India".[168] India's central bank, the Reserve Bank of India, has warned that some of India's proposed bilateral trade agreements risk damaging India's finance sector, as well as weakening multilateral liberalisation.[169] It is too early in the negotiations for the Committee to reach a conclusion on the level of India's preparedness to reach an extensive agreement, which would see liberalisation of the vast majority of trade in goods as well as services, procurement and so on.

New EU trade talks and the world trade system

59. There are concerns that the new talks with India—along with the other RTA talks with South Korea and the ASEAN countries launched at the same time—could risk distracting these parties from the more valuable goal of a successful multilateral Doha Round at the World Trade Organisation.

60. In its response to the original Report, the Government said Doha was its "primary trade policy objective", noting that while it also supported the consideration of an EU-India RTA this "must not undermine" the Doha Round.[170] UKTI's evidence reiterates that the Doha Round remains the "priority".[171] The European Commission similarly states that the "Doha Round and the multilateral trading system will remain the EU's overarching trade policy priority".[172] The Trade and Consumer Affairs Minister, Gareth Thomas, told us that he did

164 Ev 49 (CBI), para 4

165 Razeen Sally, *Launch of EU-Indian free trade negotiations*, February 2008; http://www.ecipe.org/files/3QuestionRazeenSallyNL110208.pdf

166 Committee's visit to the European Commission (DG Trade), Feb 2008

167 "EU-India FTA may not happen this year, suggests Brussels", ICTSD *BRIDGES Weekly* Trade News Digest, Vol 12 Number 9, 12 March 2008

168 "EU-India FTA may not happen this year, suggests Brussels", ICTSD *BRIDGES Weekly* Trade News Digest, Vol 12 Number 9, 12 March 2008

169 "Reserve Bank of India speaks out against bilateral trade agreements", ICTSD *BRIDGES Weekly* Trade News Digest, Vol 12 Number 9, 12 March 2008

170 HC (2005–06) 1671, p7

171 Ev 77 (UKTI) para 3.5.3

172 Ev 54 (European Commission), para 6

not believe other countries would stop negotiating Doha because of these deals, and that "we have got to absolutely make sure that RTAs that we negotiate can support and supplement and do not undermine the Doha Round".[173]

61. ActionAid pointed out that the impetus for the new EU policy towards RTAs comes in part from the enthusiasm of the EU's major trade competitors, notably the US, for them;[174] they cited the European Commission's own trade strategy document, *Global Europe—Competing in the World*, which states: "We should also take account of our potential partners' negotiations with EU competitors."[175] The Trade and Consumer Affairs Minister has said that he thought it would be "a huge mistake for the EU to stop trying to negotiate regional trade agreements because all sorts of other of our competitors are already negotiating regional trade agreements."[176] The European Commission expressed the view that a careful approach to RTAs could "build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation."[177] The EU is also seeking RTAs with South Korea and the ASEAN countries. However, the European Commission seems implicitly to accept the genuine risk to the multilateral system in its comments on the possibility of RTA talks being opened with Japan in the future: "the EU and Japan, two major trading partners and strong promoters of the WTO, would have to carefully consider the systemic implications that a bilateral agreement might have."[178]

62. **We give a guarded welcome to the EU-India trade talks that have begun since the previous Report. There are clearly benefits to both sides from a successful deal, but we would be concerned if these talks diverted the attention of two of the biggest players at the WTO at a crucial time for the struggling Doha Round. We call on the Government to assess on a continuing basis the impact of the bilateral negotiations on the critically important WTO talks, and to perform a more detailed analysis of the potential benefits to the UK and India from an EU–India RTA deal.**

63. **Our welcome is guarded because we see a potential danger that the EU's new bilateral trade talks in Asia could provoke other trade partners into similar talks. This would accelerate the growth of bilateral deals and could cut across, confuse and ultimately undermine the multilateral trade system, not least by reducing the time negotiators have available to spend on the multilateral negotiations.**

173 Business, Enterprise & Regulatory Reform Committee, "Recent Developments in Trade: Minutes of evidence", (HC208), 8 January 2008, Q46

174 Ev 34 (ActionAid), para 2.2.8

175 European Commission, *Global Europe – Competing in the World*, October 2006, p11; http://trade.ec.europa.eu/doclib/html/130376.htm

176 Business, Enterprise & Regulatory Reform Committee, "Recent Developments in Trade: Minutes of evidence", (HC208), 8 January 2008, Q46

177 Ev 54 (European Commission),para 7

178 Ev 55 (European Commission),para 16

Possible content of an EU-India RTA

64. The Trade and Consumer Affairs Minister, Gareth Thomas, also told us that the UK would want to see improvements in access for services from the RTA—precisely those areas that have seen limited progress through the JETCO (financial, retail and legal services, and intellectual property) and government procurement.[179] As UKTI noted, should barriers to services trade be removed "we would expect our services exports to grow strongly".[180] The Trade and Consumer Affairs Minister said India's interests included access to the EU's legal, telecommunications, and software services markets, which the Trade and Investment Minister, Lord Jones, noted were likely to be more challenging areas for other EU members than for the UK,[181] given that the UK is already comparatively open to foreign investment. The European Commission states that it expects the RTA to cover "not only trade in goods and services, but also investment" while "paying special attention to non-tariff barriers, and to rules and regulations such as Intellectual Property Rights, competition, government procurement, and transparency."[182] The Commission also told us that it will "ensure that no issue is left behind in the negotiations and we move ahead in parallel on all fronts."[183] The European Commission told us that both competition and sustainable development have been discussed in negotiation rounds so far.[184] The CBI told us that while trade-related issues like regulatory convergence,[185] intellectual property rights, public procurement, investment, and trade facilitation should be in any RTA,[186] 'political issues'[187] such as competition policy, labour and environmental standards, and foreign policy goals should not be included.[188]

65. The Trade and Consumer Affairs Minister, Gareth Thomas, saw the EU-India RTA as a 'win-win' situation. He saw "real enthusiasm from the British business community" at the outset of the RTA talks, and was "optimistic […] that we can see significant services liberalisation",[189] with "a much greater range of businesses within the UK starting to look at what those RTA negotiations might deliver."[190] He also said a deal would "help India get access to the best expertise that the European Union has to offer and particularly the best expertise that Britain has to offer […] the legal services, financial services and the expertise that we have to offer is second to none."[191] The Trade and Investment Minster, Lord Jones, also said that an EU-India RTA would enable Indian companies to "use UK as a global

179 Q162

180 Ev 71 (UKTI) para 2.1.1

181 Q163

182 European Commission DG Trade, *Bilateral Relations: India page* (accessed 18 Jan 2008); http://ec.europa.eu/trade/issues/bilateral/countries/india/index_en.htm

183 Ev 54 (European Commission),, para 9

184 Ev 54 (European Commission),, para 8

185 Ev 53 (CBI), para 28

186 Ev 52 -53 (CBI), paras 24-31

187 Ev 53 (CBI), para 29

188 Ev 53 (CBI),, paras 32-34

189 Q160

190 Q117

191 Q120

platform" for activities elsewhere.[192] The Trade and Consumer Affairs minister, Gareth Thomas, said that an EU-India RTA "matters so much for both British business and […] for the development of India and the needs of India's poor."[193]

66. Any gains from an EU-India RTA will depend on the ultimate outcome—or otherwise—of the Doha Round.[194] **It is still hoped that the Doha Round and EU-India trade negotiations are progressing simultaneously towards an end-2008 finish. We recommend that any EU-India RTA deal reached before the completion of the Doha Round should be reappraised in the light of the any multilateral liberalisation through a Doha deal. The Government should therefore press the European Commission to commit to a review of any RTA that is agreed before the Doha Round is finalised, and once that agreement has been fully fleshed out.**

Transparency and information-sharing

67. The Trade and Consumer Affairs Minister told us that he had been keeping British business updated on progress in the EU-India talks.[195] **We welcome the Government's commitment to keep business informed about progress in the EU-India talks. We expect the Government to keep the Committee similarly well informed of developments in the EU-India talks, and the other bilateral negotiations underway. In the interests of transparency, we urge the Government to make public as much information as possible, subject to the restrictions imposed by the sensitive nature of trade negotiations. The Government should consider issuing position papers similar to that on the EU's Economic Partnership Agreement negotiations in March 2005 on the EU-India RTA, the other bilateral talks, and the EU's broader RTA strategy.**

192 Q165

193 Q160

194 One study noted that any gains would partly depend on the level of Doha liberalisation (CARIS at Sussex University, *Qualitative analysis of a potential free trade agreement between the European Union and India: Executive summary*; http://www.cuts-citee.org/EUIndia-RTA.htm)

195 Q165

5 Conclusion

68. India's economy has enjoyed annual growth rates of around 9 per cent in recent years.[196] In a recent assessment of the global economic outlook, PricewaterhouseCoopers projects growth for India at the only slightly lower rates of 8.6% in 2008, and then 8.2% in 2009.[197] Their long-term forecasts to 2050 for India predict average annual per capita GDP growth of 5.0%, putting India second behind only Vietnam (6.0% annual growth), and well ahead of the G7 group of developed economies (averaging 1.9%).[198] However, recent shocks to the world's financial markets should remind policy makers and business people that nothing can be taken for granted in a global economy. Similarly, India's economic development may slow. After a period of rapid expansion, it is not surprising to see some commentators raise questions about India's future.[199] The country has seen remarkable success and has many advantages, including a young demographic structure and a well-established democratic system. But, as this report has detailed, barriers remain. Commentators have remarked on the limits of the political system, and the inefficiencies in its extensive bureaucracy.[200] The continuation of huge poverty (around three-quarters of the population live on less than two dollars a day),[201] inadequate infrastructure and high levels of government debt all mean that the country faces real challenges in maintaining recent levels of economic growth.

69. Yet although there are significant uncertainties, there are also real opportunities. The Indian middle class continues to grow, Indian business is now supremely confident and the huge deals companies like Tata are entering into demonstrate a determination from which Britain is uniquely well placed to gain advantage. There is a reservoir of goodwill towards Britain in India which should give us a competitive edge in trade and investment relations unmatched by any of our competitors.

70. We need to establish a relationship as special with India as the one we have enjoyed with the US. This will require determination on both sides—and a willingness to address issues both large and small. The recommendations in this report on education links, on visas, on the future of JETCO, on the work of UKTI and on trade negotiations need to be seen against this wider picture.

71. **The UK has woken up to India, but progress must not now be slowed in response to global concerns or expressions of doubt about India's future. Engagement will benefit both partners. Whether or not India grows as fast as other emerging markets, it is a country of over a billion people, and the opportunities are huge. As Government and**

196 Ev 70 (UKTI) para 1.10

197 PricewaterhouseCoopers, *UK Economic Outlook*, March 2008, table A1, p32; http://www.pwc.co.uk/pdf/UK_Eco_Outlook_mar_08.pdf?utr=1

198 ibid. table 4.5, p29 (Note: long-term forecasts for GDP per capita at PPPs).

199 See for example "What's holding India Back?", *The Economist,* 8th March 2008

200 "Battling the Babu Raj", *The Economist*, 6 Mar 2008; http://www.economist.com/world/asia/displaystory.cfm?story_id=10804248

201 World Bank, *World Development Indicators*, 2004 and (Indian) National Commission for Enterprises in the Unorganised Sector, *Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*, August 2007 (via House of Commons Library)

business engagement continues to grow, the United Kingdom is uniquely well placed to take advantage of those opportunities.

Conclusions and recommendations

Response to the previous Report, and developments since

1. The IBPN has now been transformed into the UK India Business Council (UKIBC). Its annual Government funding has been increased over thirteen-fold, from £75,000 to £1 million, an increase which we welcome unreservedly. (Paragraph 7)

2. After the warnings in the Trade and Industry Committee's 2006 Report that the UK risked falling behind its competitors in India, we are pleased to see that UK plc appears to have 'woken up' to India. The Trade and Industry Committee's Report contributed both to a change in attitudes in the UK towards India, and increased UK engagement with India. (Paragraph 9)

3. In particular, we are delighted that the Report has contributed significantly to a shift in the Government's approach to trade with India. This includes sustained high-level involvement through UK ministerial visits to India, and visits from Indian ministers to the UK, and a substantial increase in funding for bilateral trade initiatives. We hope the visit to India by the Prime Minister and Lord Jones in January 2008 will lead to a further enhancement of bilateral links. We are pleased that the Government seems to be taking the opportunity to deal with the trade and investment issues that these visits offer. (Paragraph 10)

4. We note that the first bilateral UK-India Investment Summit held in 2006 has not, yet, been repeated. We encourage the Government to hold a follow-up summit and hope it will do so at an early date. (Paragraph 11)

Resources

5. The Trade and Industry Committee warned that an under-resourced UKTI team risked the UK missing the 'last train' in India. We wholeheartedly welcome the increased resources available to UKTI in India. Their Report also identified a lack of familiarity with India and/or an inability to take advantage of the opportunities in India among UK businesses. We believe that these additional resources will help to address remaining issues in this area. We also warmly welcome UKTI's reassurances that its India activity will be protected from any cuts from the 2007 Comprehensive Spending Review settlement. (Paragraph 14)

Salaries

6. We welcome the improvements in salaries following UKTI's review, and expect the situation to be closely monitored in future. Locally engaged staff account for over 80% of UKTI's human resource in India, and it is vital that UKTI is able to employ and retain the best. (Paragraph 15)

India's 'second cities'

7. India's growth continues, making the previous Report's conclusions on India's 'second cities' increasingly pertinent. UKTI believes its resources to be appropriately distributed at present, but it must be capable of moving resources in India rapidly as and when regional markets develop. We look to UKTI to take the results of the UKIBC research project into 'second cities' into account in due course. (Paragraph 16)

8. We welcome, as the Trade and Industry Committee previously welcomed, the strengthened focus on emerging markets adopted by UKTI under its new strategy. We also welcome the new resources from the High Growth Markets Programme, and look forward to India being given due weight in the Programme once the remaining specialists have been appointed. It is very important that UKTI carries out an assessment of their effectiveness in engaging the mid-sized corporate sector at the earliest appropriate moment. (Paragraph 18)

9. We emphasise the importance of UKTI continuing to ensure that the SME sector is kept aware of appropriate opportunities in the Indian market, including any arising from supply chains supporting contracts secured by larger companies. We welcome the recent signing of a memorandum of understanding between the British Chambers of Commerce and its Indian counterpart, and hope that this will lead to a substantial increase in bilateral SME-to-SME contacts. (Paragraph 19)

RDA's and other institutions in India

10. While we are pleased that UKTI has acted promptly on its review of regional inward investment and trade support arrangements, we have not yet studied in detail the substantial pieces of analytical work on which the review was based. It is very likely that the Committee will return to this issue in the future. (Paragraph 21)

11. We support co-location of Regional Development Agency and devolved administration offices with posts, as appears to be happening in India, as this is likely to reduce confusion and duplication of effort. We also recommend that India be one of the three pilot markets suggested for trialling new inward investment arrangements. (Paragraph 22)

12. While the establishment of offices by different public and private sector organisations in India is a sign of genuine and committed UK interest, we are concerned that the influx of organisations, if not properly co-ordinated, will increase confusion, with too many bodies with overlapping objectives. We welcome the City of London's commitment to continue to liaise with UKTI and avoid duplication of effort. We believe all organisations should co-ordinate with UKTI to ensure their work complements UKTI's effort and does not duplicate or compete with it. We note the finding in the UKTI review that bodies involved in inward investment other than Regional Development Agencies and devolved administrations are not part of co-ordinated arrangements through the Committee on Overseas Promotion. UKTI should seek to bring these other bodies within the co-ordinating framework. (Paragraph 23)

The UK-India Business Council

13. The Trade and Industry Committee's Report planted the seed for the new UK-India Business Council (UKIBC), and we warmly welcome its birth. We hope that it will continue to enhance bilateral trade and investment relations between UK and India. We thank all the members of the former Indo-British Partnership Network for their work, which has enabled its evolution into the more ambitious UKIBC. (Paragraph 25)

14. We agree that the Government's increased financial commitment should be matched by a contribution from industry. We welcome the tiered cost approach to membership costs that has been adopted, but we urge the UKIBC to monitor the extent to which SMEs are effectively engaged in its activities. We expect the new UKIBC to build its membership across all sectors and sizes of UK and Indian businesses, and so truly become the de facto Indo-British Chamber of Commerce which the Trade and Industry Committee *envisaged.* (Paragraph 26)

15. Although there are legitimate demands for financial accountability from government, these must be managed in a way which does not compromise the independence of the UKIBC. The new organisation is not an arm of government: if it is perceived as such it will not be able to raise the necessary match-funding from the private sector. The UKIBC should be a voice for business and enterprise in government—both in India and the UK—and not vice versa. Any perception that it is simply an adjunct to UKTI will undermine its effectiveness. We expect UKTI and BERR to recognise this in their work with the UKIBC and accept that, if it is to flourish and build its reputation in the commercial world its freedom must not be unduly constrained. (Paragraph 27)

16. During evidence taking, we speculated that providing UKTI services through the China-Britain Business Council rather than through UKTI could be interpreted as quiet 'privatisation' of UKTI services. This was not fully rebutted. If such a process developed, it would represent a significant shift in UKTI policy, and one which, if successful, could raise major issues for the way in which the organisation delivers its services. This is a matter to which the Committee may return in the future. (Paragraph 29)

Visas

17. The Business Express Programme is welcome, and we expect that delays in obtaining visas will not be seen again in the future. The requirement for staff to have worked for a company for six months to be eligible for the Business Express Programme is a limitation which does not take into account the way in which companies in rapidly expanding sectors work and is, therefore, likely to damage UK-India trade. We welcome the Trade and Investment Minister's statement that this "is being looked at", and hope a mutually acceptable solution can be found. (Paragraph 31)

18. We urge the Government to keep under review the possible improvements in visa and other related arrangements that could be made to the mutual benefit of the

British and Indian economies. The UKIBC should be well positioned to give advice on this important issue. (Paragraph 32)

19. We urge the Government to explore with Schengen countries how the visa regime for Indians resident in the UK and needing to travel to other EU countries could be eased, or periods of EU visa validity extended considerably. (Paragraph 33)

Education, research and qualifications

20. Despite the Trade and Industry Committee's earlier recommendations for change, it remains the case that after graduation, Indians who have studied in the UK can remain in Scotland for two years, while only being able to remain in England and Wales for one year. We call on the Government not only to end this anomaly by extending the period in England and Wales. It should also to extend the period students may remain in the UK for qualifications in those professions that require specific periods of work experience. (Paragraph 36)

21. We welcome the fact that the Government is "assessing the viability" of five-year research visas for research scientists visiting the UK frequently and look forward to hearing about the progress of this assessment. (Paragraph 37)

22. We welcome evidence of the growing interest by UK institutions in India but believe there is no room for complacency; the USA and Australia remain more attractive locations for Indian students and the UK Government must work closely with the Higher Education sector to ensure opportunities to build the kind of links being developed by Cambridge University are maximised. (Paragraph 41)

23. Education and research links are a vital part of the bilateral UK-India relationship. We welcome the new Education Forum that is being established to work towards a bilateral Education Partnership Agreement, and look forward to the Government providing further details in its response to this Report. We repeat the Trade and Industry Committee's recommendation that the Government reassesses its level of commitment to the UK-India Education and Research Initiative with a view to increasing funding. (Paragraph 42)

24. We are concerned that, although more Indian students are coming to the UK in absolute terms, the UK's share is declining relative to its competitors, notably Australia. We call on the Government to undertake a comprehensive examination of the ways of making the UK a more attractive place to study for Indian students, including overcoming visa issues and increasing the length of time Indian students can remain in the UK after graduation. (Paragraph 44)

JETCO: progress since the Report

25. Aside from the success on tariffs on whisky imports, recent progress through JETCO in key areas for UK businesses—financial, legal, accountancy, and retail services—appears to have been slow. While we recognise the political challenges involved in addressing these issues in India, particularly in the run-up to a general election there, due by 2009, we believe that further liberalisation in these areas will bring real benefit to India itself. We therefore seek assurances from the British government that the JETCO ministerial meeting in December 2007 and the Prime Minister's January 2008 visit have given fresh momentum to the process. The JETCO system requires strong and sustained commitment on both sides if it is to deliver its potential benefits to both India and the UK. (Paragraph 50)

26. We are surprised at the lack of working groups on education and trade facilitation. The Education Forum (noted in para 38 above) agreed earlier this year may bring progress, but we urge the Government to consider whether there are sufficient issues for an education working group within JETCO, especially if the Forum does not make speedy progress. (Paragraph 51)

27. We support initiatives to bring the chairs of the various JETCO working groups together, and if this works well we propose that this arrangement be formalised. We also strongly support the establishment of JETCO pages on the UKIBC website, and look forward to additional information on the various working groups' progress and activities being added in future. However, this web presence can only help improve consistency across the various working groups if the information it provides is accessed and used by all involved. (Paragraph 53)

New EU trade talks and the world trade system

28. We give a guarded welcome to the EU-India trade talks that have begun since the previous Report. There are clearly benefits to both sides from a successful deal, but we would be concerned if these talks diverted the attention of two of the biggest players at the WTO at a crucial time for the struggling Doha Round. We call on the Government to assess on a continuing basis the impact of the bilateral negotiations on the critically important WTO talks, and to perform a more detailed analysis of the potential benefits to the UK and India from an EU–India RTA deal. (Paragraph 62)

29. Our welcome is guarded because we see a potential danger that the EU's new bilateral trade talks in Asia could provoke other trade partners into similar talks. This would accelerate the growth of bilateral deals and could cut across, confuse and ultimately undermine the multilateral trade system, not least by reducing the time negotiators have available to spend on the multilateral negotiations. (Paragraph 63)

Possible content of an EU-India RTA

30. It is still hoped that the Doha Round and EU-India trade negotiations are progressing simultaneously towards an end-2008 finish. We recommend that any EU-India RTA deal reached before the completion of the Doha Round should be reappraised in the light of the any multilateral liberalisation through a Doha deal. The Government should therefore press the European Commission to commit to a review of any RTA that is agreed before the Doha Round is finalised, and once that agreement has been fully fleshed out. (Paragraph 66)

Transparency and information-sharing

31. We welcome the Government's commitment to keep business informed about progress in the EU-India talks. We expect the Government to keep the Committee similarly well informed of developments in the EU-India talks, and the other bilateral negotiations underway. In the interests of transparency, we urge the Government to make public as much information as possible, subject to the restrictions imposed by the sensitive nature of trade negotiations. The Government should consider issuing position papers similar to that on the EU's Economic Partnership Agreement negotiations in March 2005 on the EU-India RTA, the other bilateral talks, and the EU's broader RTA strategy. (Paragraph 67)

Conclusion

32. The UK has woken up to India, but progress must not now be slowed in response to global concerns or expressions of doubt about India's future. Engagement will benefit both partners. Whether or not India grows as fast as other emerging markets, it is a country of over a billion people, and the opportunities are huge. As Government and business engagement continues to grow, the United Kingdom is uniquely well placed to take advantage of those opportunities. (Paragraph 71)

Formal Minutes

Tuesday 1 April 2008

Members present:

Peter Luff, in the Chair

Mr Adrian Bailey	Anne Moffat
Mr Lindsay Hoyle	Mr Mike Weir
Miss Julie Kirkbride	Mr Anthony Wright

Draft Report (*Waking up to India: Developments in UK-India economic relations*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 71 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available in accordance with the provisions of Standing Order No. 134.

[Adjourned till tomorrow at 9.00 am

Witnesses

Tuesday 30 October 2007	*Page*
Asif Ahmad, Director: Asia, and **Paul Whiteway**, Director: International Sales UK Trade & Investment (UKTI)	Ev 1
Lord Bilmoria, Chairman,**Sharon Bamford,** Chief Executive Officer,and **Dr Shailendra Vyakarnam,** Board Director, UK-India Business Council (UKIBC) formerly the Indo-British Partnership Network (IBPN)	Ev 11
Tuesday 8 January 2008	
Lord Jones of Birmingham, Minister for Trade and Investment and **Gareth Thomas MP**, Minister for Trade & Consumer Affairs Department for Business, Enterprise and Regulatory Reform/ Minister for Trade & Development, Department for International Development	Ev 21

List of written evidence

1	ActionAid International	Ev 32
2	Arrk Group	Ev 37
3	Aviva Global Services	Ev 38
4	British Chamber of Commerce	Ev 38
5	British Expertise	Ev 39
6	BT	Ev 40
7	City of London Corporation	Ev 42, 44
8	Clifford Chance LLP	Ev 48
9	Confederation of British Industry	Ev 49
10	Directorate General for Trade, European Commission	Ev 53
11	Intellect	Ev 55
12	Standard Chartered	Ev 57
13	Indo-British Partnership Network	Ev 59
14	UK-India Business Council	Ev 67, 69, 89
15	UK Trade & Investment	Ev 70, 84, 85, 88
16	Cambridge University	Ev 92

List of unprinted evidence

The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Astaire & Partners Ltd

City of London Corporation additional supplementary

MLS Chase

UKIBC additional supplementary

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

First Report	The work of the Committee in 2007	HC 233
Second Report	Jobs for the Girls: Two Years On	HC 291
Third Report	Post Office Closure Programme	HC 292
Fourth Report	Funding the Nuclear Decommissioning Authority	HC 394

Oral evidence

Taken before the Trade and Industry Committee

on Tuesday, 30 October 2007

Members present

Peter Luff, in the Chair

Roger Berry	Miss Julie Kirkbride
Mr Brian Binley	Judy Mallaber
Mr Peter Bone	Mr Mike Weir
Mrs Claire Curtis-Thomas	Mr Anthony Wright
Mark Hunter	

Witnesses: **Mr Asif Ahmad**, Director of Asia, and **Mr Paul Whiteway**, Director of International Sales, UKTI, gave evidence.

Q1 Chairman: Gentlemen, welcome to the beginning of the end, the last ever meeting of the Trade and Industry Select Committee, before it is reborn like a phoenix in the new session as the Business, Enterprise and Regulatory Reform Committee. Thank you very much for coming in. We have seen you before and we are pleased to see you again, but nevertheless for the record can I begin by asking you to introduce yourselves?
Mr Ahmad: Thank you very much. My name is Asif Ahmad. I am Director of Asia for UK Trade and Investment.
Mr Whiteway: Good morning everybody. My name is Paul Whiteway. I am Director, International Sales, in UK Trade and Investment.

Q2 Chairman: What does that mean?
Mr Whiteway: Director of International Sales means that I am responsible for attracting foreign direct investments to this country.

Q3 Chairman: What do you think has changed since last we saw you in terms of the UK/India business relationship?
Mr Ahmad: If I may start off, I think this year in particular there has been a huge focus on our bilateral relationship, largely stemming from the 60th anniversary of India's independence, which gave a lot of focus, both in the media and from ministers and members of the public alike. I think we have a good story to tell overall on the trade and investment side. Business connections have certainly improved. The traffic of ministerial visits both ways has been maintained and has been very high. We have had a number of unusual events as well. One in particular that I wanted to highlight was the International Indian Film Awards, which was hosted in Yorkshire, which brought Bollywood's biggest and best to the UK. It has been calculated that it boosted the regional economy by some millions, just from one event. The UK India Business Council was created and is alive and kicking and running. We have augmented our resources in the India network quite substantially and many of the things that were aspirational when we last gave evidence to this Committee have now become a matter of fact.

Q4 Chairman: We expressed concern in our report, published just over a year ago, that British businesses did not properly understand the opportunities in India, that they were not taking advantage of the opportunities and other countries were, that our trade was in things like semi-precious stones, diamonds, scrap metal and so on, not in the high added value products we ought to be selling there. Do you think British business is more aware of the opportunities and are there signs that things are improving?
Mr Ahmad: I think there is still a lot of work to be done and my primary concern really is that it is the mid-corporate sector in the UK that needs more work, but if you look at the headlines our exports figures to India have improved, primarily due to services, and the areas that you mentioned—precious stones and gold and others—have declined somewhat. The headline deals have focused a lot of attention of UK corporates. If you look at Vodafone alone, the £9 billion investment in India was one very strong signal of business intent, so I think, if anything, businesses' focus on India has improved. If you look at the work that others have done, the CBI and the British Chamber, they have also augmented this focus.

Q5 Chairman: Have you made any assessment of the psychological impact of things like Tata's acquisition of Corus or their potential acquisition of Land Rover and Jaguar?
Mr Ahmad: I am not sure I could respond in terms of the business sentiment in that respect, but certainly people have stood up and noticed that the transactions now are high value and in sectors where in the past India was not visible.

Q6 Miss Kirkbride: Can you tell us how the new UKTI strategy has changed representation in India, how many more people have been added to "Team India", how many more people might still be coming?

Mr Ahmad: The strategy set out that our resources in emerging markets would increase very substantially, and in India in particular our aim was to increase our resources by 20%. That has been achieved. The last remaining posts are being filled. If I could start from the very top, the new High Commissioner in Delhi still carries a substantial trade and investment weighting in his role. Some 40% of his time is devoted to what we do. Since his arrival he has also changed the work loading of our Director for trade and investment in Delhi, who formerly used to devote 40% of her time doing other work in science, innovation and economic reporting. Our director is now 100% dedicated to UK Trade and Investment work. She also has a Deputy Director for India, which is a new post. In Mumbai we have a new First Secretary focusing solely on financial services. We have a dedicated resource in Delhi looking at infrastructure and one other looking at the whole Joint Economic and Trade Commission process, looking at trade policy interests with India, and, of course, our Deputy High Commissioners have continued to have a very high India loading. We are now in a situation where India represents one of our top three markets in terms of resourcing, China and the USA being the only other parallels.

Q7 Miss Kirkbride: But they are still based in just two cities?
Mr Ahmad: No. We have a very extensive network. We have our own High Commission offices in Chennai, Kolkata, Bangalore, and then smaller trade offices in places like Chandigarh and Pune.

Q8 Miss Kirkbride: What about the UKTI City strategy? Is that what you were just referring to as the person in Mumbai or is there something separate to say about that?
Mr Ahmad: The person in Mumbai is a physical manifestation of the strategy. There is an overarching strategy that has been agreed by the private sector as well as UK Trade and Investment and that has been articulated. What I propose to do is send the Committee the full strategy. It is a very substantial piece of work and I think will answer many of your queries in that sector.

Q9 Miss Kirkbride: You say it is now in the top three. Where was it before? Where was it two years ago when we were first looking at this?
Mr Ahmad: We had some 70-odd staff in UKTI in India and we will reach 91 by the time this period is finished, so that is quite a big change. By and large I think the restructuring that we have undertaken has moved resources from lower priority markets and markets which are easier to access like parts of the European Union.

Q10 Roger Berry: Major cities in India are booming and we have been advised that the pay for highly skilled staff is rising significantly. Does that present a problem for UKTI and posts generally in attracting highly qualified local staff?
Mr Ahmad: It is certainly an issue. As India booms, it has had a huge effect on the labour market. We are very fortunate for a number of reasons. We have very good, able members of our staff drawn from the local community. We have just undertaken a review of salaries in India and the pressures are clearly visible. There is a huge element of loyalty that we enjoy from our staff but that is not something that we can simply rest on. As part of this review we expect salaries to be augmented in the India network and the propositions are now being worked out in some detail. There have been some particular areas of concern. In places like Bangalore and others, which really are part of the boom that you are talking about, our people are highly qualified and very much in demand, so they are taken by other employers. At one level it is also a good sign because I do not think we would want a situation where people spend entire careers working for UKTI. I think it is good to have a churn of talent where people learn and develop after working with us and new people come into our network. If we were to talk to you again in a year's time you will by then have heard that the salary structure of all our staff in India, not just UKTI but the Foreign Office as a whole, will have had changes in their terms of employment.

Q11 Roger Berry: How do you see UKTI's presence changing? Presumably UK companies, for example, will be moving from the higher cost, boom cities to new, up and coming cities, so presumably rich investment will be shifting in India in response to higher labour costs in many areas. Will UKTI's efforts be responding similarly to these changes and how do you see that evolving?
Mr Ahmad: There is certainly evidence that from the hotspots of western India there has been some movement eastwards. My last visit to India was in fact to West Bengal where this was very much in evidence, where the IT industry in particular has actually seen West Bengal as a place for expansion. The network of offices that we currently have, I believe, covers these areas of opportunity pretty well. I do not think we have any immediate plans to set up operations in other places, but in terms of moving resources between cities it is something that we would certainly look at if there was demand. I draw one distinction between areas of what one might describe as economic activity and opportunities for UK companies. Our job really should be to follow where UK demand is, and that should be the first trigger rather than simply hotspots of activity which in themselves are valid but do not necessarily translate into areas where UKTI can add its value to what customers from the UK want.

Q12 Roger Berry: Could you remind the Committee of the division between locally engaged staff and UK based staff in UKTI in India? Has it increased? What is the breakdown between those two?
Mr Ahmad: I would have to send you a detailed memo on that because it would be wrong of me to just guess that. As a rough rule of thumb, I would say that a third of our staff are UK based and the remainder are locally engaged staff.

30 October 2007 Mr Asif Ahmad and Mr Paul Whiteway

Q13 Mr Bone: Since our last report there have been at least ten ministerial visits to India, maybe more. I guess the involvement at that high level is welcome but does anyone in government co-ordinate between these visits, or does somebody just go off on their own thinking, "This is a good idea. I will go to India next week"?
Mr Ahmad: Ministerial co-ordination ultimately rests with the Cabinet Office as opposed to any other individual government department. What we want to do in UK Trade and Investment, which is articulated in the strategy, is ensure that when ministers go to India they are briefed on other visits and outcomes and what our core agenda is so that they can pick up the issues of highest importance. In India I think we have been very fortunate in that almost every ministerial engagement that we have had, whether it has been at Chancellor level or the forthcoming Prime Minister's visit or ministers like the ministers of Justice, they have been able to pick on segments where we have an active interest and take those forward. It is not UKTI's job as such to co-ordinate ministerial activity as a whole.

Q14 Mr Bone: There is a feeling that if we have more Indian based UKTI staff the danger is that all they will do is organise more VIP trips, so it is a sort of circle, so we have more visits. Is there any truth in that?
Mr Ahmad: Obviously, the ministerial visits are demanding in the sense that programmes have to be targeted. We need to make sure that the right sort of people turn up for those occasions, but we do less and less of what I call hospitality in relation to work. These are now tried and tested processes which our High Commissions are very well able to do. The majority of our staff are engaged in direct customer commission work, increasingly on a chargeable basis, so we can track what our people are doing. Every member of our team in India has a sectoral responsibility or a responsibility for inward investment, so it is quite clear in their job descriptions what they actually do. We rely as much on our Foreign Office colleagues to handle the arrangements for ministerial visits as our own direct team.

Q15 Mr Bone: You almost indicate that there is a template for a ministerial visit, "We will have him over, give him a dinner and then we will shove him off somewhere". Is that right? Do you have a real programme? You obviously have to do some of the hospitality bit but do you have a sort of, "I really want them to go to see such and such"? If you do not co-ordinate it how do you ensure that your element is included?
Mr Ahmad: The way we go about this is first to understand, if it is not one of our direct ministers, if it is a direct minister like Lord Jones, when he went in September 2007.

Q16 Mr Bone: There is a different template for him?
Mr Ahmad: Each minister has his own agenda, depending on the policy initiative that they are charged with following, so I do not think we operate on a one-size-fits-all template. If the Foreign Secretary were to go to India he might well have a very strong interest in climate change. From the business angle, we would ensure that at least the capabilities of the UK were promoted and that some of the meetings that he had in India would allow him to engage with commercial aspects of the subject. When it is our own minister following our own agenda then we would largely focus them on the sorts of things that we deal with under the Joint Economic and Trade Commission agenda, starting from things like the WTO talks to the EU free trade agreement right down to sectors where we feel the market should be liberalised, or lobbying in particular for projects where the UK has a keen interest.

Q17 Mr Bone: Moving on to the Comprehensive Spending Review, how has that affected UKTI overall?
Mr Ahmad: The overall spending review picture has been better than perhaps other parts of Whitehall. If you look at our programme expenditure which, is directly voted to UK Trade and Investment from Parliament, we have had a cash flat settlement, so all we have to do really is account for inflation. From the Foreign Office, the settlement is also a cash flat settlement, which basically means that efficiencies of the order of 2.7% have to be found. From the Department for Business side, which really looks after our headquarter administration, the cuts are a little bit deeper. We assume that it will be about 5% of our total spend, but overall we are looking at a situation where we will have more than enough resources for our high priority markets. India certainly will not be affected in an adverse way.

Q18 Mr Bone: Basically, there has been a cut in real terms of 2.7% or more, depending on which part of the department we are looking at. Has that had any knock-on effect on India or has India been protected and have you made cuts elsewhere?
Mr Ahmad: The way we are going to achieve some of the efficiencies will not affect the high growth and the high priority markets, and India is clearly right up there amongst them. One way we expect to achieve efficiencies is to look at what the Foreign Office as a whole is doing in the overseas network, which is outsourcing many of the functions that we carried out in the past, which UKTI fully supports. The other aspect of the savings will come from the review that was done by the Foreign Office on its representation in Europe as a whole and we expect some efficiencies emerging from that measure as well. The rest will undoubtedly come from lower priority markets and we are currently looking at options which will be spread over a three-year period, but our starting position is that markets like India, China and other high priority areas will be left unaffected in the first period of our review. Thereafter we will be looking at all markets in terms of the return we are getting on our investment, the degree of satisfaction customers say they are getting from our posts and the impact we are having in those market places. I fully expect India to remain very

well resourced, even beyond the spending review, because that is clearly one of our top priority markets.

Q19 Mr Bone: In your preamble you spoke about outsourcing some of the things that you were doing in-house before, obviously. Would that affect India?
Mr Ahmad: We are looking at every single market in which we operate. One example I can give you is managing the premises in which we operate. We are about to move into new premises in Mumbai, which members of the Committee may recall was far from satisfactory in its previous location. A situation like that means that we can actually look at the security arrangements, the ancillary facilities, who looks after the maintenance of the building. A second aspect is cash management in the Foreign Office as a whole. At the moment we have a situation where every single post has its own accounting function and its own internal administration. We are looking in detail as to how much of that can be outsourced. No decisions on India have yet been made, but these are the areas that are being looked at.

Q20 Mr Wright: You have mentioned that some have decided to co-locate their offices with the diplomatic posts. Which ones have and which ones have not? Also, have any RDAs set up their offices since our last report?
Mr Whiteway: SEEDA and SWERDA have agreed to co-locate with the British High Commission, I think, in Mumbai, and in addition Invest Northern Ireland also have expressed a wish to co-locate.

Q21 Mr Wright: What were the reasons they gave for that?
Mr Whiteway: The reasons for co-location go back to a study which UKTI and the RDAs conducted back in the summer of 2004, when we were looking at how to bring about better co-ordination with the RDAs in particular markets. We identified a series of measures that could be taken to improve co-ordination. One of those measures was the possibility of co-location with UKTI offices where that is possible. Of course, in some instances, it just is not possible in terms of space, but we have identified opportunities in India and SEEDA and SWERDA have come together and are appointing a single individual who will represent them co-located with UKTI and INI, Invest Northern Ireland, have done the same.

Q22 Mr Wright: This is something that you would promote for others to do?
Mr Whiteway: I think this sort of model is a very interesting model. It is something which in the past has not always been very easy to achieve but this is a possible approach for the future.

Q23 Mr Wright: Do you not see that they are going to lose some of their identity by doing this?
Mr Whiteway: I think that is very much a matter for the RDAs to respond on. The inclusion of individuals like that with a specific regional background clearly provides additional expertise alongside our own staff in the High Commission and that I think has its advantages.

Q24 Mr Wright: Has there been any RDA set up since our last report?
Mr Whiteway: The SEEDA/SWERDA operation that I have just described—I think they are just going through the recruitment process now—is one example of that. I am not aware of any other.

Q25 Mr Wright: There are no new RDAs coming to India?
Mr Whiteway: No. I think at the moment the RDA presence in India is limited to the three devolved administrations, each of which has a presence, and of course there is the British Midlands presence, which is EMDA and Advantage West Midlands together. Of course, there is also the ThinkLondon presence in India.

Q26 Mr Wright: On that particular point on the City of London, do you regard the City of London's Mumbai office as a good thing? Do you consider that this will bolster the UKTI City strategy as well as JETCO?
Mr Whiteway: Clearly India is a priority market for the City strategy under UKTI and therefore having a presence in that market is likely to assist us to sell the services of the City to what is a key emerging market and is clearly helpful.

Q27 Mr Wright: So you regard it as a positive thing and one that you would certainly have encouraged if it had not happened?
Mr Whiteway: I think that such an office clearly can add value, yes.

Q28 Mr Wright: You did mention ThinkLondon's new office but have the CBI or the British Chamber of Commerce established India outposts?
Mr Whiteway: I am not aware of that.
Mr Ahmad: No, they have not as yet. Certainly the CBI has looked at it on a number of occasions. They have not ruled it out or in at the moment but it is still under consideration.

Q29 Mr Wright: Would you consider that would be confusing with the RDAs as well if they were to do that?
Mr Ahmad: I think the CBI fulfils a very different function. The only analogue that I can quote is their presence in China where they have their own reasons for dealing with their membership and their queries about sector-specific things that they want to hear about, and there are a lot of goodwill visits that are needed by membership of the CBI that they can handle. In some respects their presence can be a help to UK Trade and Investment. I do not think the CBI and the British Chamber fulfil a role that is similar to the one that the RDAs and the UKTI as a whole undertake.

Q30 Mr Wright: What role would UKTI play in that activity? Would they be co-ordinating it?

30 October 2007 Mr Asif Ahmad and Mr Paul Whiteway

Mr Ahmad: We are very much part of the same team. If you look at the City strategy as a good example, the Mumbai Advisory Board consists not only of UK Trade and Investment but also has representatives from the City, IFSL and others and the private sector representatives, who individually are part of the Working Group on financial services and who very much work together. In many respects our job in post becomes one of facilitation and co-ordination so we do have a lot of inter-relations with such organisations.

Q31 Mr Binley: I am very concerned about dissipating focus, about messing up branding and confusing people, quite frankly. The more separate bodies we have selling separate areas of the country can create an even greater mess if we are not careful. Are you worried about that particular aspect?
Mr Whiteway: We fully understand the Committee's concerns on this issue, and of course you will be aware of the two reviews that were launched as a result of the UKTI five-year strategy in July 2006. Those reviews are looking at issues such as the avoidance of duplication, at improved co-ordination, at promoting better value for money on the part of the representation by the RDAs in markets and they are proceeding according to the original schedule. We will be announcing the results of those reviews shortly. When we do so we would be delighted to share them with the Committee.

Q32 Mr Binley: I think that is important. Just a very quick one about money because it all comes from the same pocket, the taxpayer's pocket. You are taking that into account too, are you, the money we are spending and the impact we are getting in terms of segregation of focus?
Mr Whiteway: As I said earlier, what we are looking at is trying to achieve best value for money, and insofar as the money comes from the taxpayer the answer is yes, we are.
Mr Binley: Good. We will look forward to the report.

Q33 Miss Kirkbride: Mr Whiteway, I noticed your careful use of language over the role of the RDAs. I just wonder if you could describe to the Committee what happens if, for example, your UKTI staff highlight a potential business opportunity for the UK. Is there then a mad scramble between the south west, the south east and Northern Ireland as to who is going to get the business, and then what happens to other areas, which are not represented, mercifully?
Mr Whiteway: We have a system in place for sharing leads with our RDA partners. What happens is if, for example, Delhi pick up a lead they feed it back through UKTI in London and we have a mechanism by which we share those leads with our RDA partners. In the first instance we would make a judgment which RDAs, including, of course, the devolved administrations, are most likely to be able to fulfil the business drivers identified by the client, but we would not only advertise those leads to such RDAs. We would also advertise the leads more widely because we recognise that there are occasions on which other RDAs may feel that we have made the wrong judgment. That happens very rarely, fortunately, but it does happen on occasion. We do not therefore have a mad scramble. We have other mechanisms in place for regulating the relationships in-market with RDAs. For example, we have requirements placed on RDAs to share with us their pursuit lists, which are the lists of companies that they are actively pursuing in-market. We have a requirement placed on them to share with us their visit reports when they go and see an existing investor, for example, and there are various other transparency requirements. All this is looked at on an annual basis in a formal process which we call peer review, which is actually taking place at the moment. That process has two stages. We look at what is going on in an individual market such as India, so there are a whole series of bilateral meetings taking place in India, and we then on a headquarter-to-headquarter basis review the operation of that particular RDA and DA on a global basis year by year.

Q34 Miss Kirkbride: When there are two or more RDAs chasing a piece of business does it ever happen that they lose it or it does not come to fruition because, after all, we are a very small country and why should they know the difference between the south east and south west and what they have to offer?
Mr Whiteway: We may be a small country physically but we are the number one destination for FDI in Europe and we have been for about the last 20 years. I am not trying to suggest that competition does not present its problems but we have mechanisms in place to try to minimise those problems and we have mechanisms in place to make sure that we get the information from the RDAs that we need in order to put the best possible case in front of the client. In the case of a UKTI lead, which was I think what you were referring to originally, this would remain essentially under UKTI's control. We would go to the RDAs. We would get the information that we need from them and then UKTI would put that information back to the client. Where you are dealing with the case of an RDA that has found the lead, of course, the situation is a little bit different.
Mark Hunter: I think this is a really central question that we have touched on here. You paint a picture in response to Julie's question of this being some sort of serene, sensible and considered process.
Miss Kirkbride: He is trying hard.

Q35 Mark Hunter: I have to say I do not find it very convincing, with all due respect. These RDAs have to justify their existence. They are competitive organisations and I think some of us just find it difficult to believe that it is as friendly and constructive a process as the picture you paint indicates. If it is as good as you say then I also have a concern because it seems to me that yourselves are effectively playing God in terms of choosing where you are going to dispense your favours. I just do not see how this is working on the ground, given the

number of these organisations that are there now. Surely there has to be an element of duplication because ultimately these people have to justify their own existence. Whether or not you feed them the lead, they will be aware of what is going on and they are going to go after it and chase it. How is that a sensible use of our resources?
Mr Whiteway: It would be very presumptuous of us to act as God, of course, and I am not in any way attempting to suggest that this is a process that proceeds with the serenity that you hint at. Of course, when you have organisations that are eager for business and competing you can have on occasion tensions to resolve but I think on the whole it works pretty well. The number of difficulties which we have resolved down the line are not really that great in relation to the total volume of business.

Q36 Chairman: I think this is a subject to which the new Committee will turn its attention again in painting a more broad picture, not just in relation to India. I think that is very likely. Turning to the India British Partnership Network (which I still think of), now the UK India Business Council, which, of course, received a significant increase in funding, at least in part because of this Committee's recommendation, co-ordination with them is also, I hope, helpful and I hope that role is welcomed by UKTI, or are there issues that concern you?
Mr Ahmad: Not at all. We have been fully behind the creation of the UK India Business Council and we have a dedicated team within UK Trade and Investment that looks after South Asia and individuals within it have direct responsibility for our relationship with UKIBC. We see them potentially as an extension of our own delivery arm in the longer term, as we have achieved with the China British Business Council.

Q37 Chairman: Do you benchmark their work against the organisation for the Chinese market?
Mr Ahmad: Very much so. In a way it is almost like a hockey stick. In the initial period, obviously, it is about its formative stages and getting its immediate recruitment process and things up and running.
Chairman: I think this again is an issue at which the Committee may want to look in the future, looking outside and at India.

Q38 Roger Berry: What did the recent visit of Lord Jones to India achieve?
Mr Ahmad: The visit by Lord Jones was not, of course, his first into India. He has been to India many times as Director General of the CBI, but in particular he met with the Indian Minister of State for Law and Justice, furthering our agenda on the legal sector and arguing for foreign lawyers to be able to practise in India, and we are making some headway there. The City was promoted very heavily as part of the visit and the case for how the UK could work with Mumbai in its ambitions to become an international financial centre was made, but he added impetus to our argument that one cannot have a thriving international financial centre unless all the professional services that surround banks and insurance companies are there at the same time. That point was made very convincingly. He also was there for the UK India business awards, which is now an annual event to recognise businesses from the UK and India who have made a contribution to bilateral trade and investment and he met many senior people from Indian industry, including people from Tata and pharmaceutical companies like Ranbaxy. A particular area of interest also was the energy sector with the new round of exploration licences coming up and he certainly made a very strong pitch for the capabilities of UK companies. On the whole the visit was part of a package of ministerial engagement by previous ministers of trade and we certainly regard that as a process we would want to repeat very regularly as far as India is concerned.

Q39 Roger Berry: How are the plans for the PM's visit progressing?
Mr Ahmad: Work is still in hand. It is very much Number 10's call as to the date but we are still looking at the early part of 2008 and there will be a very strong business contingent and agenda as part of the overall visit.

Q40 Roger Berry: Does that mean the PM will be accompanied by business people from the UK?
Mr Ahmad: The expectation is that there will be a business delegation in India at the time, yes.

Q41 Chairman: One of the barriers which you have alluded to in the last answer to greater British involvement in the Indian market is that some of the sectors have strong or particularly protected markets in India. You have given a very helpful note of the status as it was in June. It might be helpful to have an update on that in writing, but is there one sector where you think particular progress is being made and one sector where you would particularly like more progress to be made?
Mr Ahmad: If one looks at the accountancy sector, I think we are making some good progress there. The Indian Government has now put through legislation which will allow Indian firms and foreign investment firms to have more than 25 partners, which is a severe limitation. There is also an issue on advertising and brands where accountancy firms and legal firms are not entitled to promote their brand and that is being looked at. There has also been a removal of the cap in terms of the number of trainees one can have for accountancy firms, so that represents good progress. On the legal services side, the signals we are getting from the Minister in Law are that before this year is out he would like to at least put forward indicative draft legislation to set the course, if you like, for the sector to be liberalised and we take that as a very positive sign. If you look at other sectors, retail if anything has gone backwards. Indian retailers are now facing political and public opposition and there have been cases where Reliance and others have stopped trading or have been made to stop trading in places like Uttar Pradesh, so for the retail sector this is going to be a long and hard slog. However, if one looks at the

overall agenda that we have, progress is being made and we hope that the EU/India free trade agreement, when that comes to fruition, will further liberalise areas of UK interest.

Q42 Mr Binley: When I visited India some two years ago there were real concerns about business ownership by non-Indian citizens. Has that been liberalised because it did seem to be a block for businesses from this country to become involved in the subcontinent?
Mr Ahmad: The issue varies from sector to sector. In certain sectors, as I said, such as retail, it is impossible for the likes of multi-branded retailers to have any kind of majority owner presence in India whatsoever. At the other extreme, if you look at infrastructure projects and airports, for example, 100% non-Indian participation is possible, so there is a range rather than a blanket difficulty that business in India faces. The Indian Government is well disposed towards foreign direct investment and is very conscious of the fact that it is a competitive arena and that many changes will have to be made in its practices and rules to attract the investment that it needs in critical sectors.

Q43 Mark Hunter: Can I ask you now about how UKTI is helping businesses in the UK to take advantage of the opportunities? Investment in infrastructure is looking like one of the biggest opportunities, I think we would agree, for UK companies in India in the next few years. The evidence that you have submitted to us already says that a strategy to maximise UK involvement in this future investment emerged at the investment summit of 2006. Could you tell us a little bit more about it and specifically what UKTI is doing on the ground to maximise the opportunities for UK businesses?
Mr Ahmad: If I could use infrastructure as an example that speaks for most sectors. As you rightly say, it was at the investment summit that ministers agreed that this should be a higher priority area. Our first expectation from the Indian side, both at federal level and state level, was to go through the big picture of $300 billion worth of potential projects and break them down into areas that were realistic and approved. Work on that has progressed and we have had indications from the Minister of Commerce and from states like Maharashtra as to where their priority projects are. We have also looked at private/public partnership as a mechanism which has been promoted heavily by the City in India, so there is growing awareness of this as a possibility. Two months ago the Indian Government announced that 11 advisers were to be appointed to help the Indian Government in providing advice on how infrastructure should be developed and financed, and UK companies feature very strongly amongst that group, names that people will recognise fairly easily—Deloittes, Ernst & Young are amongst them, and PriceWaterhouse. The institution 3i has a dedicated fund of half a billion US dollars solely focused on Indian infrastructure and they hope to double that, so there is money behind some of the initiatives from the City. From the UK what we are doing throughout the English regions and in partnership with the devolved administrations is running a continuing programme of road shows, sectorally based in the main, so that businesses can be informed of the very real opportunities in India. That then translates into trade missions into the country which are handled by UKTI on the ground. There is a huge amount of effort going on in this sector, and as part of the Prime Minister's visit in 2008 this will be one of the priority sectors that will feature in discussions.

Q44 Mark Hunter: What about specific links, such as the Commonwealth Games happening in Delhi in 2010 and the Olympics happening here in London in 2012? There have to be opportunities there in the construction industry, to name but one example. Is that the kind of thing where you are seizing an opportunity? Do you think you could persuade us in a couple of minutes that you are on top of that kind of opportunity?
Mr Ahmad: The short answer is yes, we are engaged and we have been engaging with the Indians, particularly with the Sports Ministry and others, on this subject. The reality on the ground is that in India they are treating the arrangements for the Commonwealth Games not as we intend to do in London or in the case of the Beijing Olympics. These are not major urban renewal or regeneration projects. The Indian side will refurbish and make do with some of the existing infrastructure that they have. They will work around some of the bottlenecks that exist and which will not be ready in time for the 2010 Games. Hotels are going up at a furious pace in Delhi and in the region but even that might be quite a challenge. Universities and other localities are being looked at to provide accommodation for athletes. It is not really in the same league as the preparation for the Beijing Olympics or London. However, the capabilities of the UK are being promoted very heavily and the Mayor of London, in his visit to India this month, is taking a business delegation of UK companies focused solely on the Commonwealth Games.

Q45 Mark Hunter: Given the shortage of time I am going to pass on to a different matter we have not touched on yet and that is JETCO. Your evidence submission to us suggests that JETCO is "striding forward", which is one of the more positive descriptions we have had about its progress. Could you tell us a little bit more about the JETCO process and how it is working from your own perspective? For example, have all the different JETCO working groups borne fruit and for those that perhaps have not as yet do you expect them to in the foreseeable future?
Mr Ahmad: The JETCO process has been going on for a number of years. When I started this job some four years ago the regularity of ministerial meetings was not as good as it should have been and the working groups were very much in their infancy. What we now have is a much more structured engagement on the Indian side. I led on behalf of the UK last August to review progress on how the

various elements of JETCO were working. You are quite right to say that there are mixed reports. If you look at the financial services working group or the accountancy group or the focus on legal services, as I alluded to earlier, those have been working well and have been bearing fruit. If we look at others, particularly where there are areas of Indian interest, I think there is more work to be done on the UK side, and I cite agriculture and health as two examples where I think we need to work harder to find the right partners for India's interest. The basic theme behind what we are trying to do with the JETCO process is two-fold. One is to ensure that areas of policy interest for government, whether it is sectoral based in terms of market access and liberalisation or whether it is issues where things like the duty on wines and spirits (which was resolved earlier this year, in fact on the very day of the official review) are put on the agenda and stay on the agenda until they are resolved. That is one aspect of it. The other is to act as a networking institution and I think the best example of that is the way the hi-tech working group works because that is the one sector in India which is not heavily regulated and where business opportunities are large. It is a question there of finding subject matters like nano-technology where UK and Indian businesses can come together. If I take a litmus test of where we are and do a before and after, we are a significant way ahead in terms of making this process work compared to where we were four years ago.

Q46 Mr Binley: Can I just give you another example of a specific discriminatory procedure, and tax rates were the one I was thinking of, such as those on foreign banks compared with domestic ones, do you feel that JETCO is helping to achieve any progress in that instance? Also, if I were to challenge you about specific concrete successes to have come out of JETCO as yet, would you be able to point to an individual example that you think has happened as a consequence of JETCO itself?
Mr Ahmad: The UKTI financial services strategy really addresses the discriminatory issues that you have talked about in terms of taxation, the control on the number of branches, the sectors which are less open than others, like insurance and pensions, and that is very much part of the JETCO process. We believe that successive interventions on JETCO have highlighted these very areas of opportunity and we have asked at the highest levels, whether it is the Reserve Bank of India or the Finance Minister of India or the Minister of Commerce, so the process enables UK business to directly make their case to Indian decision makers. In that sense I think the process is working very well. I have talked about the EU/India free trade agreement. The services sector, and financial services in particular, is one area which the UK has certainly put on the agenda and we expect some movement on that over the next 12–18 months as negotiations proceed. If you ask for successes, I have already talked about the Scotch Whisky Association issue of high tariffs on spirits. Ahead of the WTO ruling on this dispute the Indian Government did what it said it would do under the JETCO process to us, which was find an alternative way of raising revenue and that problem has now been resolved. If you look at the film industry, I talked about Bollywood coming to the UK. Under the whole film co-production treaty that was negotiated a lot of work is being done in the UK on Indian films and it has become the partner of choice, if you like, for the Indian film industry, a big area of success. The real test of whether it is working or not is not to look at the process itself but to look at the level of engagement between UK business and Indian businesses, and there has been a significant rise in the numbers of UK businesses we have taken into India and vice versa.

Q47 Mr Weir: I have a few specific questions about JETCO and its associated processes. The CBI said there was under discussion a trade facilitation group. Has that been set up as yet?
Mr Ahmad: There is not a specific trade facilitation group as yet. The parallel group that has been set up has been one on corporate governance which arose as a parallel activity to the JETCO process, but work on trade facilitation with India has been going on for a number of years and SITPRO in particular has been very much engaged in this subject matter. Part of the agenda again with the EU's negotiations with India will address many of those concerns, but at the moment there is not a particular group.

Q48 Mr Weir: You mentioned a corporate governance one, which I understand is outside the JETCO process. Is UKTI involved in that at all?
Mr Ahmad: Yes, it is. We effectively act as a source for briefing on issues. Many of the members of the Corporate Affairs Group are people that we have introduced to the task. Also, at the end of the day it is still one of our parent departments, the Department for Business. In many respects it is integral to what we do.

Q49 Mr Weir: Much of the focus on JETCO seems to have been on what the UK would like India to do. Could you tell us a bit about what sort of issues India has raised with the UK and what they are seeking through JETCO?
Mr Ahmad: One of the things that the Indians are very keen on is mutual recognition of qualifications. In the same way that we want access to their markets and professional services, they believe that an Indian qualified lawyer or accountant from a reputable and recognised institution should be able to live, work and practise in the UK. Another area is agriculture where there is huge concern in India that the element of waste and the logistical challenge that they face there will need to be addressed if the Indian wish list were to come true in terms of direct investment in distribution networks and facilitating exports. If you look at healthcare, the Indian Government is very keen to promote India as a destination for hospital treatment and they are also looking at the way in which alternative medicine, or traditional medicine as the Indians would prefer to describe it, is recognised in the UK. Those are just some examples of Indian interest.

30 October 2007 Mr Asif Ahmad and Mr Paul Whiteway

Q50 Mr Weir: What progress is being made on these? Is India happy with the progress that is being made or is any lack of progress holding up items that the UK may be more interested in?
Mr Ahmad: I think the jury is still out as to whether the Indians are satisfied with what is going on, but if I can give you one example of progress on agriculture, there was a real issue of the EU destroying goods that were judged to be unfit for consumption. The Indian request was could we return them to India so that they could examine each consignment and remedy the difficulty. Just a couple of weeks there was agreement reached, and the MOUs are being written up as to how this will progress, that rejected agricultural produce will be sent back to India for them to be able to ascertain where the difficulties lie. We certainly need to do more work on agriculture, but as a corollary to that it is our belief that this sector would be automatically addressed if UK retailers were allowed to invest in India so that the entire logistical chain became part and parcel of what they do. On the issue of the movement of people, I think this is a much bigger question with the entire migration policy of the United Kingdom, the points-based system that will come in next year and the modalities that are being discussed under the WTO process and the EU free trade agreement. There is a lot more work to be done.
Chairman: Thank you. That is very helpful. I note your point about the retail sector in particular.

Q51 Judy Mallaber: At the beginning of your evidence you mentioned that you thought the mid corporate sector needed more work. We have now got the appointment of a specialist responsible for India in the high growth markets programme. Is that having an effect? Can you point to any examples of assistance to mid corporates?
Mr Ahmad: A mid corporate project is something that the Chairman might recall was one of my last wish statements as to what we would like to achieve in UKTI, and that has now been put into action. Of the 15 or so high growth market advisers that we hope to recruit ten are now on board. Two of them have a particular India focus and are in the early process of engaging with the sector. There have been three projects already that have benefited from the engagement of our high profile advisers, mainly in the IT sector, and, as you would expect, they incorporate all sorts of dimensions. One is a UK business trying to find an India partner to co-develop their product. Another is the typical one which one faces of trying to outsource some of their deliveries in India, and the other one was attracting an Indian business into the UK as a partner. It is early days yet to evaluate the progress of this programme because recruitment is still going on and we expect by the end of this calendar year to finish with the remaining five positions. Once that is up and running I think next year you will see the real fruit of this beginning to come through.

Q52 Judy Mallaber: To help us understand it, in your evidence you mentioned UKTI playing a role in the Vodafone-Hutchison deal. Exactly what was it that was done to help?
Mr Ahmad: I have to be careful in how I answer that question because a lot of that obviously is covered by commercial confidentiality, but what I can say in general terms is that this acquisition created a real difficulty for the Indian Government in the sense that it highlighted areas of its corporate rules which were unclear, if not contradictory, particularly in the area of nominee shareholdings and in what way they were permitted or not permitted. The pledge that the Indian Government made to the then Chancellor and the Secretary of State for the DTI was that the government would not interfere unduly in the process; it was going to be a purely commercial one, and I think that paid off rather well when this particular anomaly was discovered and the Indian Government chose to apply a facilitating interpretation of the rule rather than one that blocked it. There were also issues relating to the presence of Vodafone in India and a lot of discussion took place in the High Commission in terms of the overall political environment and areas of economic activity where the company should focus. The company was also very keen to develop its corporate social responsibility programme and sought the advice of the High Commission in terms of what areas would be of particular interest and the Chief Executive of Vodafone has announced a programme in particular on skill development and conversion of university graduates in India into what they regard as employability in multinational corporations. An interesting by-product of the investment, which again is something that the CEO of Vodafone said, is that initially the model that they went into India with was how they would, if you like, introduce the Vodafone way of doing business. What they have learned is that there is a lot to learn from the way in which the previous Hutch organisation worked in terms of productivity and management of a supply chain and other areas. Vodafone are in very regular contact with UKTI. They were visiting our Chief Executive only this week, again to review not only their India strategy but also their overall strategy in emerging markets, and they see us as a very valuable source of insight.

Q53 Judy Mallaber: Can I very briefly ask you to comment on SMEs? We have concluded previously that India is not an ideal market, but obviously we keep being asked to agree that more should be done. Is there work going on to identify opportunities for SMEs and can you perhaps tie that in with your comments on the BCC saying to us that maybe chambers of commerce deliver advice better than agencies like UKTI? Is that reasonable? What is UKTI doing? Should you be involved in chambers more in helping SMEs?
Mr Ahmad: On 3 December the British Chamber of Commerce will establish an MOU and an agreement with their Indian counterpart, the Federation of Indian Chambers of Commerce and Industry, FICCI. This will be hosted at the Indian High

Commission. The idea really is to engage SMEs with SMEs and to develop the advantage that the membership of such groupings have. One should not get away from the fact that the core business of UKTI has always been focused on SMEs and businesses that are new to market or new to export, and that emphasis has not gone away. It is part of our attention to the mid corporates or the larger companies. It is true that the big ticket items will always favour larger players but the outreach activities that we have, the road shows we have all round the country, are well attended by SMEs, so in a way it has been our bread and butter business. If you look at the amount of commissioned research that we do throughout posts in India, the majority of that work still emanates from SMEs.
Chairman: That is very helpful, thank you very much indeed. The British Chambers of Commerce will be pleased too.

Q54 Mrs Curtis-Thomas: My question really centres on education. Is there an indication that the visa considerations are taking longer than previously and has anyone else raised the time taken to get visas with posts in India?
Mr Ahmad: The visa operation in India right now is going through a restructuring and, if there have been any delays, they largely relate to that process rather than a systemic underlying problem. If anything, the performance figures in India are very good in terms of turnaround, rejection rates and the like. Businesses in particular enjoy the Business Express programme which basically means that an approved participant has to wait no longer than 24 hours for a visa to be approved. The real difficulty has been the introduction of new measures, like biodata, biometrics. Firstly, there was a protocol agreement that was required from the Indian Government which has been a little bit late in coming and our only capability rested in Delhi, so there has been a lot of physical movement of passports and the like around the country to overcome this difficulty, but this is a very temporary measure. The subject matter comes up very regularly and it is of the utmost importance to us not just from the trade perspective, but from the wider relations that we have that the visa operation runs smoothly, and I do not really think that there is an underlying problem.

Q55 Chairman: Can I just challenge that quickly. We have a submission here from a small IT company from our visit actually in 2006 and it says, "My team and I are pulling our hair out over the fact that it now seems we have to wait, on average, 18 days to get a visa in India for employees travelling to the UK", and they said, "A business like ours' ability to react quickly to a customer's demands is of paramount importance", so there does seem to be an issue at least with some companies.
Mr Ahmad: We are more than happy to look at that individual case, if you refer that to us, but the process is that if that company has registered with the Business Express programme—

Q56 Chairman: Which they say they have.
Mr Ahmad:—then it really ought not to be a difficulty. If they have been very unlucky and have fallen foul of this difficulty that I encountered when I was on my last visit to Calcutta where some of the processes had gone back to using couriers and others to actually get the visas processed, then we should overcome that.

Q57 Judy Mallaber: Finally, could you update us on the UK-India Education and Research Initiative. What value has this initiative got now and what sort of prospects do you see for it for growth in the future?
Mr Ahmad: The lead for the UK-India Education Research Initiative falls to the Department for Innovation, Universities and Skills rather than UKTI, but we keep in close touch with what our colleagues in that government department are actually doing. The scheme is very much on track and the UK Government pledged £12 million to the programme which has been matched by a further £4 million from the corporate sector. Most of the work has been in the science and technology field in terms of collaborative work, and projects, as we speak, are still being evaluated, so it is very much a work in progress. We have had discussions with our colleagues in the Department for Innovation on the future of UKIERI and there is a huge appetite for expanding that programme not only to cover the existing areas of success, but to move it more widely into the field of business, education, vocational training and skill development and I would describe that as work in progress, but I think, as a scheme, it has been highly successful and there is a lot of buy-in both from India and the UK.

Q58 Chairman: Is there anything else you would like to say which we have not covered in our questioning?
Mr Ahmad: The only area I would highlight really is the process of changing perceptions which is where I think you started with India. Certainly the work of this Committee has been very helpful in raising awareness in India, and the support that you gave to the idea of the UK-India Business Council was very much welcome, but there is a huge amount of work still to be done to take businesses in the UK that have not really woken up to the challenge of globalisation and there is a lot of effort still needed not just from UKTI, but from all interested parties to raise the profile of what engagement in markets like India would have to achieve. The other issue is India's own sense of its competitiveness in Asia. When you go to China, very rarely will you hear a Chinese businessperson or official make the comparison between China and India, whereas if you go to India, it almost becomes an automatic part of any conversation of what is happening in India and China and what is not. There are some realities in terms of the coalition Government and the pace at which it can move things. One example is the legislation that was promised to us in terms of

30 October 2007 Mr Asif Ahmad and Mr Paul Whiteway

liberalising the insurance market and dealing with the Lloyd's case in particular, and that is now very much stuck in politics as opposed to government policy and I think that is a major constraint. The other, which is slightly removed from our day-to-day job, but we are reminded of it very frequently, is that of course the level of poverty in India remains a huge problem and yes, there is a growing middle class, but there is a huge danger of two Indias emerging, one which is prosperous and which can take its place at the highest tables when it comes to commercial engagement, and there is another where we are really talking about very basic survival and not too far away from Mumbai and other areas of prosperity.

Q59 Chairman: More people on a dollar a day in India than in the whole of Africa, I think, is still the case. We have got many things we would like to talk to you about and I am grateful for that summation at the end, we appreciate it very much indeed, but we now must draw things to a conclusion. Gentlemen, thank you very much indeed; we appreciated your evidence very much.

Witnesses: **Lord Bilimoria**, a Member of the House of Lords, Chairman, **Ms Sharon Bamford**, Chief Executive Officer, and **Dr Shailendra Vyakarnam**, Board Director, UK-India Business Council (UKIBC), formerly the Indo-British Partnership Network (IBPN), gave evidence.

Q60 Chairman: I suppose I should say, my Lord, lady and gentleman, welcome to the very last evidence session ever of the Trade and Industry Select Committee, so we have to finish precisely at 11.30 because we cease to exist shortly after that moment and we cannot continue, so there is an absolute constraint on our time. May I begin, as always, by welcoming you and thanking you for the written evidence in your old incarnation, I think, as the Partnership Network and ask you to introduce yourselves for the record.
Lord Bilimoria: Thank you very much, Chairman. I am Karan Bilimoria, Lord Bilimoria, Chairman of the UK-India Business Council and the UK Chairman of the Indo-British Partnership.

Q61 Chairman: So it still exists?
Lord Bilimoria: The initiative, the Indo-British Partnership Initiative, is still very much there which was started in 1993 by the two Prime Ministers of the UK and India.
Ms Bamford: I am Sharon Bamford, Chief Executive of the newly rebranded UK-India Business Council, formerly the IBPN.
Dr Vyakarnam: My name is Shai Vyakarnam. I am at the University of Cambridge and I run the 'Centre for Entrepreneurial Learning'. I am on the Board of UKIBC.

Q62 Chairman: I suppose we can particularly welcome you, and I hope you particularly welcome coming to talk to us, because one of the material outcomes of our last report was, I think, at least assistance in getting you significantly increased funding on a level with your sister body for the Chinese market. Is that your reading of the situation?
Lord Bilimoria: Well, we would like to say right at the outset how grateful we are to the Trade and Industry Select Committee for the superb report that you prepared last year on India and in which we participated. It really was outstanding and it has been listened to and one of the results of it being listened to is what has happened to us from the Indo-British Partnership Network now being upgraded to the UK-India Business Council with the additional funding from government and support. It really is superb, so thank you very much.

Q63 Chairman: I am delighted for that; mutual admiration is always a good thing! What has changed, do you think, in the last year? Have things got better in the relationship? What events, apart from your own welcome increase in resources, would you highlight as having manifested the changed relationship? Are perceptions changing in the UK? Are people getting on board with India in the way they ought to?
Lord Bilimoria: In fact, a significant amount has happened over the last year since the report was prepared. There has been an escalation in the awareness and interest in India, the India growth story now is far better known than, say, it was two or even three years ago here in the UK and there have been major events. We have had, for example, the first ever UK-India Investment Summit that we hosted over here in the UK which was one of the outcomes of JETCO, that one of the first JETCO meetings that we had was to have this annual investment summit between the two countries and we had the first one, which I chaired here in London, a year ago which was a huge success, attended by business leaders from both countries and both Prime Ministers participated in it and that was fantastic. After that, we had in January Alistair Darling, at the time as Secretary of State for Trade and Industry, and Gordon Brown, at the time as Chancellor, making both their first visits to India and that was a significant visit because I led the Indo-British Partnership Network at that time, the largest ever British business delegation from Britain to India with 150 individuals in it compared with 30 the year before. Then of course, we have had the major investments both ways, Tata Steel taking over Corus, Vodafone taking over Hutch in India, both \$10 billion deals each, so the scale really is there, so there has been a huge, huge upscaling in the activity.

Q64 Chairman: Perhaps I can lead my witnesses by asking if you agree with, and share, my view that British business and Britain enjoys a comparative

advantage with India that it does not enjoy with many markets because of the bonds of history and culture between us? Do you think that is true?
Lord Bilimoria: Without any doubt. I just returned yesterday from a parliamentarians' delegation, parliamentarians of Indian origin, hosted by the Indian Government, by the Minister of External Affairs, and there is no question about it, that very, very special, strong relationship which exists between Britain and India at every level, and I would say that our relationship is better than it has ever been, that government to government, business to business, people to people it is wonderful.

Q65 Chairman: But the relationship ought to be one of the very strongest in the world, ought it not, almost on a par with the relationship with the United States of America, for example, given the coming importance of India?
Lord Bilimoria: It is very special and, therefore, we believe that we should be doing far more than we are in terms of trade and investment. The potential is far greater than what we are actually achieving at the moment.

Q66 Mark Hunter: I do not know if you would refer to the transition from the IBPN to the UK-India Business Council as being seamless or not, but could you tell us whether or not you have seen your membership increase since becoming the UKIBC and, in particular, I would be interested to know what the current position is of the British Chambers of Commerce because they had previously indicated that they would join the old IBPN, so have they joined you in your new format?
Ms Bamford: In terms of our membership strategy, we are moving from a membership that is not paying currently to a membership that will be asked, along the model of CBBC, to pay fees where we will add value. On 7 November, we will have our board meeting to finalise the level of membership. In terms of BCC, I have had a recent meeting with Peter Mylam, and the willingness and openness to be members also based on an openness that there is going to be a fee for that and the definition of services and the value we would add to their members of the British Chambers of Commerce is also an ongoing discussion, so on 7 November we will define the amount of money we will ask members to pay. The discussions have taken place with BCC and others. The City of London are keen to be members and there are other organisations that are keen to be members, and the test will be the marketplace of whether the market will pay those fees, and that is why we have put a lot of effort into getting the market right and setting those fee levels.

Q67 Mark Hunter: It may be that we are simply asking this question a little too early in your existence, but that does sound as if at the moment there has not been as yet a tangible increase in membership.
Lord Bilimoria: I think the point we need to make is that Sharon has been appointed as the Chief Executive and started almost exactly just eight weeks ago, less than two months ago, and in those two months we have made this transition. We have moved into our new offices, we have started building up a team and we are appointing people in the regions as well as carrying on all our activities, as we had in the IBPN, so it is a huge amount that is going on.

Q68 Mark Hunter: So it perhaps is a little premature to ask you about an increase in membership?
Ms Bamford: I think that would be a very fair statement.

Q69 Mark Hunter: What about a strategy for increasing membership, or is it too early to ask you that? Do you have a target for membership over the next 12 months, for example?
Ms Bamford: We do. We aim to bring in a third of our income through membership as our target and this is yet to be defined. Our board members are meeting on 7 November to define and approve that strategy, but we have spent a lot of time, as in the last eight weeks of my appointment, defining the value to members, understanding what other services exist and where the competitive landscape is that we are asking from members and not competing with already-existing infrastructure so that we get this, as an offering, correct.

Q70 Mark Hunter: So do you expect the British Chamber of Commerce, therefore, to be signed up in the not too distant future?
Ms Bamford: Absolutely.

Q71 Mark Hunter: You do?
Ms Bamford: Yes, without a doubt.

Q72 Mark Hunter: If I might move on to a question about funding, you have of course had a recent major increase in funding from £75,000 per annum to £1 million, a 13-fold increase. Could you tell us precisely where that increase has come from, which department is funding the increase and also, perhaps more importantly, how you plan to use that money?
Lord Bilimoria: On the funding, we have always been supported, from the time that the Indo-British Partnership Network was set up, by UK Trade and Investment and we are very grateful for their support, which is not just in financial terms, but literally on a day-to-day basis we communicate very strongly with them, they attend all our meetings and we have a very good working relationship with UKTI and we are very grateful for that, and the £1 million comes from UKTI. As to the second part of your question, I will turn to Sharon.
Ms Bamford: In terms of the £1 million for this financial year which we have set, about 30% is on staff, around about 30% is on start-up costs in terms of legal fees, office, furniture, IT, infrastructure, all the things that a new business has to start. I am not sure if the Committee are aware that we were previously a secretariat, housed with a couple of desks at Asia House and we have moved into our own offices now which have had to be equipped from scratch. The remainder of that will be project-based,

30 October 2007 Lord Bilimoria, Ms Sharon Bamford and Dr Shailendra Vyakarnam

and I do not know if you will be interested in some of the projects or an example of a project where we are looking at spending some of that money this year.

Q73 Mark Hunter: I think we would and perhaps, if not now, you might send those details through to us.
Ms Bamford: Certainly.

Q74 Mark Hunter: It is still early days, I do appreciate that, and that has been reflected in a number of your answers already, but 12 months on, what will a successful first year look like for yourselves? How are you going to evaluate success? How will we know a year from now whether you have had a good year, a bad year or an indifferent year?
Ms Bamford: Certainly we have set our own targets for the year. There are financial targets of fee membership, income and sponsorship. There are targets of measuring the existing UK trade and investment and looking at the incremental impact of all activities, not just our own, because we will not be working in isolation, but there are existing operations and we work very closely with UKTI. From our membership perspective, we are in the process of introducing new programmes, one is Next Generation India, where we will have tangible new programmes addressing a 21st-Century India with tangible outcomes, such as a British Business Angels, private equity and venture capitalists, linking with Indian investors of the same nature, sourcing and targeting new investment opportunities from both perspectives and encouraging Indian companies to launch into the UK either as a UK market or as a launch pad for global aspirations with UK investors there and the due diligence happening between the two. Without going into further detail, I am happy to send more detail or, if you care to probe, to give more detail, but a tangible output will be the number of deals, the amount of investment, the number companies going to India around that scheme, the number of companies coming into the UK and the level of investment, so that is one example of a measure. On membership, the number of participants in what we are calling our 'Next Generation India', we feel there is an opportunity with the diaspora, with Indians working in the UK and young people on India teams to actually generate more knowledge and give 21st-Century thinking to the next generation of activity in India. I can provide more detail, but I am aware of the time, so, if you need more questions answered, please do ask them or I will pass back to my Chair.
Lord Bilimoria: I could go on, by the way. There are many more targets and things that we are doing, but hopefully that will come out in the rest of the discussion.

Q75 Mark Hunter: Talking about the links with other organisations and Indian businesses and businessmen and women over here already, you will be aware of the Plus-91 organisation.
Ms Bamford: Yes, I am.

Q76 Mark Hunter: Do you already have extensive links with them?
Ms Bamford: We had an event very recently at the House of Commons, so we are very much aware. We are aware of time and we are tapping into existing infrastructure to support and engage where it is there.

Q77 Judy Mallaber: You have to match-fund the extra money you are getting from UKTI through revenue-raising. As I understand it, you are planning to get a third of that from membership fees. What is the balance on how you are going to raise the other two-thirds?
Ms Bamford: Sorry, but that third is through membership fees, through sponsorship and through service provision, that target.

Q78 Judy Mallaber: So how are you going to raise the other two-thirds that you need?
Ms Bamford: Sponsorship is also one key activity. We have been relatively successful in our limited capacity to date with sponsorship coming in, for example, from Jet, from Deloittes and from KPMG for specifically targeted events where they have a policy interest, for example. We will also add services to our offering to members, being very sensitive again to what already exists and where we can compete in that market, so that third, for clarity, is made up of membership of services and of sponsorship.

Q79 Judy Mallaber: I do not quite understand because a third of the matched funding you have got to get?
Ms Bamford: Yes.

Q80 Judy Mallaber: So where do you get the other two-thirds of the matched funding then?
Ms Bamford: Sorry, in our first year that will be made up, based on the last question. Our target for the first year is a third to match and then for our second year we are looking at two-thirds and then for our third year.
Lord Bilimoria: If we were to benchmark against, say, the China-Britain Business Council, their overall budget is about £2.5 million, of which about £1 million comes from the Government and £1.5 million they raise themselves through providing services, events and membership.

Q81 Judy Mallaber: Are you concerned that, by charging membership fees, that is going to make your membership less representative?
Ms Bamford: Well, it is a structured and hierarchical membership, so there is a fee for corporates and we are dividing it, and again, a very similar model to CBBC and the likes of the US-India Business Council, we have benchmarked across the whole arena of membership services, so there will be a tier for corporate members over a certain turnover and number of employees right down to an SME fee and

an individual membership, so if an individual wants to join, it will be a very different fee level and service level from that of a major corporate.
Lord Bilimoria: And students, for example, would pay a very nominal rate.

Q82 Judy Mallaber: So you do not think it is going to be discouraging, for example, to small businesses?
Ms Bamford: I do not think so. I think the value add we can give to small businesses is certainly there.

Q83 Judy Mallaber: How is the new UKIBC being modelled? Is it going to follow the pattern of the China-Britain Business Council and will it do things differently from the IBPN? How do you see your future work?
Lord Bilimoria: I think that the CBBC is a benchmark, but we are doing things our way as well. There are learnings from CBBC. They have been operating for almost 50 years, so there is a lot to learn from them and to benchmark against, but we are very much tailoring it to what the UK-India relationship requires, so to that extent we will always do our own thing and will not necessarily copy what the CBBC do.
Ms Bamford: In terms of our general membership offering, yes, there is a business information service and good hard evidence-based research, and part of our activity will be commissioning new research to inform our market, but we are also introducing a programme of looking at a product pipeline of new thinking in terms of the India relationship, a new generation of engagement. One of the problems we suffer from in the UK from a business perspective with regards to India is that there is at best a 20th-Century view of the market. From an Indian perspective, they tend to see the UK as very traditional compared to America and we have a lot of perceptions that we have to break down, so we have brought in new programmes and new thinking and a new generation of thinkers, not just in terms of age, but in terms of sectors, to actually address that issue. Therefore, whilst we have taken what is good, and in a very entrepreneurial way we do not want to throw the baby out with the bathwater, we are looking at all the very positive things where we have been innovative, very entrepreneurial and very forward in our thinking in addressing the market to capitalise on the opportunities.

Q84 Judy Mallaber: Just to understand how your structure is working, you had two staff before and now you have got a Chief Executive, before you were perching in someone else's office and now you have got your own office. How many staff have you got now and are you planning to get more, and are your new offices adequate to the task and do you expect to stay there into the foreseeable future or will it need more expansion plans?
Ms Bamford: In terms of the first question, we currently have a total of six staff, including myself, so the two staff that were employed before, it went out to open tender, open interviews, and they were both recruited. We have also recruited a policy researcher. We felt that there was not enough quality information on trade figures, on opportunities and the linkage with government to inform both parties, so we have a policy researcher. We have an administrator/office manager and our new appointment who will be joining the staff is a business services manager, providing high-quality business advice of mapping the existing business support and, therefore, where there are gaps, making sure we can provide that and, where it already exists, linking and supporting the existing infrastructure. In terms of our office, we have planned for no more than ten as part of our core team in terms of growth and that will be based on achieving targets. The office is a long-term commitment and we intend to fulfil that long-term commitment with our targets, so it is there for the long term. As for regional posts, we are actually looking at going on and in terms of the regions we are prioritising where the most India activity is and also the regions that are proactively wanting to engage, so I guess, for want of a better expression, the low-hanging fruit, so where there is existing provision in a region and they want to engage with us through co-funding. That has been a very important model for us because, if they agree to co-fund, there is a genuine partnership; we are not doing it to a region and we are not coming in and superimposing our own views. We are looking at a co-funded post in a number of regions throughout the UK for an activity that person will be responsible for, understanding the India activity that exists, supporting and developing those individuals that are delivering on behalf of the India agenda in those regions and making sure, most importantly, that any activity, knowledge or network that comes through London goes out to a region and does not stop in London, so we make sure there is a champion for the India activity there, but not just somebody that is looking to promote India, but is fully informed, equipped to give business advice and is in regular, daily contact with our office to pursue the opportunities that London-based organisations have.

Q85 Judy Mallaber: How many regions do you anticipate having posts in?
Lord Bilimoria: Perhaps I can come in here because this is such an important point and one of the areas where we really believe we are going to be adding a huge amount of value is the regions because at the moment there is a varying degree of activity, or lack of it, in the regions and quite often there is duplication and quite often regions are carrying out India-related activity and other regions do not know about it, so there is duplication, there is ignorance and there is a lack of co-ordination. We feel, where India is concerned, we can fulfil that role of actually co-ordinating the activity within the regions, preventing duplication and actually having our individuals with ultimately, we would like, one in each region over the next few years, working alongside UKTI and the regions and then bringing them together where India is concerned.

Q86 Judy Mallaber: I think we are probably coming back to that, but to finish off on your management structure, have you implemented your new dual-board structure yet and is that working, your advisory and operational boards?
Lord Bilimoria: We are the existing Indo-British Partnership Network Board of just over 20 members which has been a superb board. I really must emphasise that these are individuals from a variety of sectors, at a senior level within their organisations and with a deep knowledge of India, and they have given up their time and superb commitment, and Shai is one example, at absolutely no charge whatsoever, just through sheer commitment and passion for doing business with India, and I would like to thank them for their support, and they have continued as the UKIBC Operational Board that meets every two months for approximately two hours. On top of that, we are now setting up an Advisory Board and the invitations have gone out to some of the senior members of industry in this country who themselves and/or their businesses are connected with India. We have already had acceptances for this Advisory Board from individuals like Sir Richard Branson of Virgin, Lord Levene, Chairman of Lloyd's, and a former Lord Mayor of London, amongst others.
Ms Bamford: Sir Richard Sykes.[1]
Lord Bilimoria: Yes, and Richard Lambert, the Director General of the CBI. I think we are going to have about 20 or 25, at least, very senior businesspeople as members of the Advisory Board. On top of that, we have also started to set up an audit committee, and perhaps you would like to add to that, Sharon.
Ms Bamford: Yes, in terms of our management structure, like any new start-up business, we are having to put in all of the processes to make sure that we are fully compliant with a new governance structure, we have an audit committee that has already met and we are setting up financial processes, so we have moved, in terms of our management structure, from a £75,000 network, a well-meaning organisation, to a fully compliant, professionally run business with governance, with an audit committee, remuneration committee and we have tender documents that will be prepared, so we are running as a business.

Q87 Judy Mallaber: So it has been quite a busy eight weeks?
Ms Bamford: It has been a hugely busy eight weeks actually.

Q88 Mr Binley: It was so good to hear the way you feel the organisation has developed over the past year; that is really encouraging. If I may say so, we should not leave out the drive and energy that you have given to it yourself because that has been immensely impressive and, I think, widely appreciated too. Can I move on now to the changes you see in the relationship between your organisation with JETCO and UKTI and generally talk about the vision you have there.
Lord Bilimoria: Well, thank you very much for your kind words. JETCO, I think, has been a tremendous initiative. I have actually been involved because I have been the UK Chairman of the Indo-British Partnership for four years now or just over four years and I was there at the first ever JETCO meeting. I think the special aspect of JETCO is that it is bringing business, the Civil Service and government from both countries together around the table in a structured way. That annual meeting, it is actually terrific having all those different areas, the Civil Service, the private sector and government, around the table from both countries and discussing the issues in an open manner, the challenges, obstacles and opportunities, and then to have the working groups that feed into the main meeting that have their own meetings and their chairs again from both countries, and then to have the follow-up that UKTI carry out with the officials in India during the year. It is a terrific process and it is, in my view, working very well. One of the outcomes, for example, is that the UK-India Investment Summit has taken place and there is another one which is going to be taking place now very soon, so I think in that sense it is great and it is also an evolving area. In terms of outcomes, after the Lord Mayor's visit last year when Sir David Brewer led his delegation, we invited him back after having briefed him before his visit, we invited him back to talk to our Board and give us feedback and he came with different sectors, he gave feedback and we realised that that one of our strongest areas in Britain is our financial services area and we did not have a financial services working group in JETCO, so, as a result of that, we have set up a financial services working group and the first meeting took place in Mumbai in January, chaired by the Chancellor, Gordon Brown at the time, who attended the meeting, so it evolves. Where the legal services are concerned, about a year ago it seemed very, very far away that the legal services in India would free up, but, as a result of the work of the JETCO legal services working group and as a result of the Indo-British Partnership Network work, now we have made huge progress with legal services to the extent that the Law Minister, Mr Bhardwaj, in London at Lancaster House this summer, in front of some of the leading, leading individuals in the British legal community, said publicly that legal services in India are going to open up and "I'm going to try to do it by the end of this year", and that is marvellous. We have had support from individuals, like Baroness Ashton, who was tremendous in her old role in trying to help open up legal services in India, but again JETCO has played a key role in that.

Q89 Mr Binley: Can I pursue that a little further by asking you how important you think the UKIBC thinks the new UKTI strategy has been in enhancing this process and being a part of this?

[1] *Footnote by Witness:* Since the Committee hearing there has been further acceptances of Sir William Casstell, Wellcome Trust; Gerry Murphy, Kingfisher and Dalip Pathak, Warburg Pincus.

Lord Bilimoria: Well, I think that UKTI strategy from a time four years ago has evolved so much. At that time, there was the priority on sectors as opposed to markets, and, from my point of view, having taken over as the UK Chairman of the Indo-British Partnership, I was very much getting UKTI to prioritise India as a market and as a country which was essential and that has taken place, so to that extent UKTI are now prioritising and I think that has really worked tremendously well.

Q90 Mr Binley: One assumes you still think there is work to do though from your answer?
Lord Bilimoria: There is always work to do—

Q91 Mr Binley: Of course.
Lord Bilimoria:—but I do think that credit needs to go to UKTI, to Andrew Cahn and to Asif Ahmad whom we work with. They are working very closely with us and India is a top priority.

Q92 Mr Binley: I will be quite provocative now, and I think you have answered this question, but you are happy about JETCO's future and you are happy about its growth? You really think it is going to go places?
Lord Bilimoria: Well, I always believe things can be done much better and there is always scope for improvement. With JETCO, I would like to bring in my colleagues because there are suggestions and ways it could be better and Shai and Sharon could both chip in on this.
Ms Bamford: One outcome of a recent meeting I had with the High Commission in Delhi was how we can contribute and how we can improve JETCO and I think it is a common culture in our organisation to be constantly improving, not just to get rid of everything, but to look at what exists, how we can improve and how we can add value to it. In terms of JETCO, one of the outcomes of that meeting was that we would, as the UKIBC, take a wider voice of business. There is a great danger in the JETCO meetings and those that sit on that that it is limited, by the very nature that you cannot have everyone there, in the views that are put through to JETCO, so it was agreed with the UK High Commission in Delhi that we would take a wider voice of the business community. We would take the regional voice, we would speak to UK businesses operating in India and we would attend, as UKIBC, presenting objective opinions from our membership and from the wider business community to enhance the thinking around the JETCO process, so that was one outcome. We will take all of the JETCO meetings and put them on our website so that there is a consistent level of information. At the moment, it is slightly inconsistent which groups are doing things, reporting and the information in the public domain, so there is an inconsistency there, but we are hoping to address that, and we will also take up a new web technology to have discussion groups around key issues and sectoral issues, so, as UKIBC, we are working with UKTI to add value, to enhance and to take the wider voice of business to the JETCO process.
Lord Bilimoria: There is one other important aspect, this co-ordination aspect which we were talking about with regard to the regions earlier. Even with JETCO, the IBPN at that time took the initiative to get the JETCO chairs together and hold a lunch to get them to exchange what progress they were making in their different sectors. Otherwise, it tends to be the sort of silo of working in your sectors and here we fulfil that role of bringing everyone together, apart from at the annual meeting when everyone gets around the table together, so that is a useful function that we have been able to fulfil and we intend to carry on doing that on a regular basis, getting the chairs to get together.
Dr Vyakarnam: I was a member of the hi-tech JETCO a while ago and my experience of that encourages me to make two recommendations: We should always be vigilant in terms of being up to date and current on the issues that need tackling, and the financial services JETCO is an example of that, and maybe we should be looking to see what other JETCOs might be needed to bring people around the table. That is a committee function, but the key issue for me is how we compose JETCO on all sides, who joins and who does not, and I think we need to think about the composition of those JETCOs and how well-informed the people are who come on them, ensuring that we play the role of getting the best people on them.

Q93 Mr Binley: What issues do India raise to JETCO because it is very important to see the whole of the business rather than just outside it?
Lord Bilimoria: It varies from sector to sector to sector.
Dr Vyakarnam: I think that the knowledge sector and the higher education sector would be ones where it is absolutely essential for future development, certainly from India's perspective, in connecting to the knowledge base and the UK higher education institutions. Issues of intellectual property, transparency etc. On the Indian side, it is also about whether or not the better (research) institutions can collaborate more effectively with each other, and in the hi-tech area. There is almost an automatic synergy with the higher education institutions.

Q94 Chairman: Just on education, I am going to Cambridge for a big dinner on 5 December ahead of the Vice Chancellor's first ever visit to India. Some of our education institutions have been quite slow to develop the relationship they ought to have done, I think, with India. Do you share that concern and do you feel that is being put right?
Dr Vyakarnam: It has certainly been put right over the last few years. If you look at the number of students from India, that is an indicator and the growth rate is quite astronomic really, the number of Indian students coming to do postgraduate degrees and so on. The area where I think institutions like Cambridge and others, the research-rich institutions, still need to do a lot of work is to be able to attract the better-quality Indian students on to their doctoral programmes and on to postdoctoral fellowships and others. For instance, if we want to

30 October 2007 Lord Bilimoria, Ms Sharon Bamford and Dr Shailendra Vyakarnam

do something about the biotech and pharmaceutical sector, UK universities could be more open to getting clinical researchers from India, for instance, in HIV Aids, tuberculosis and diabetes. India has a community of medics and a separate community of researchers but they do not engage with each other, so the UK can make a big difference through its experience of combining medicine with research.

Q95 Chairman: Will UKIBC be playing a part in this process?
Dr Vyakarnam: Well, I am on the Board of UKIBC and you cannot stop me banging the drum!
Lord Bilimoria: I would like, if I may, Chairman, to come in because it is such an important point. The numbers have increased five-fold over the last five years and there are now 25,000 Indian students over here and increasing. However, the reality is that the United States is still by far the number one destination for Indian students and at number two the Australians have overtaken the United Kingdom. I think we have got to continue to make it far more attractive for Indian students to come here and study, and we have been lobbying away on one initiative where there is a discrepancy in Scotland—

Q96 Chairman: Yes!
Lord Bilimoria: I asked a question in the House of Lords about this in June, that Scottish students, after they graduate, can work for two years to gain experience, to contribute to the economy, to earn some money to help pay for their education and it is very valuable to forge life-long links, whereas here in England and Wales it has only just been allowed for one year. We have the same Home Office in the United Kingdom, so why can it not be two years over here as well? We are lobbying away for this and I think that will be a big help.
Chairman: I do not want to help Lord Jones too much, but I am sure that is one of the questions we will put to him when he comes before us in a month or so's time.

Q97 Mrs Curtis-Thomas: I was very fortunate to visit the Mumbai Stock Exchange and I was approached by the Chief Executive Officer there at the time who said, "We would be very, very interested in working with the London School of Economics to establish a course on emerging markets and emerging Stock Exchange markets in Asia". Now, given the rapid growth of the Stock Exchange in Mumbai, it seemed to me to be a marvellous suggestion and one that would be mutually beneficial to both parties. The disappointment I had when I came back was that there was no positive response from the LSE at all to this suggestion and in fact no willingness in fact to visit or even to begin to explore this possibility. I would like to ask whether or not that is your experience. I see you shaking your head and I am so pleased to be contradicted because I just thought it was a great chance really to move forward on an educational platform and on an investment platform at the same time.
Lord Bilimoria: All I can say is that I am very surprised to hear that because Howard Davies actually sits on the Asia Task Force which I sit on, the LSE have an annual event in India, an annual Indian event with their alumni, with faculty going out, Howard Davies himself went out, the President of India attended the last one, and it is a very, very popular institution where Indian students are concerned. It is one of the top-ranking ones, along with Oxford and Cambridge, and very, very popular, so I am surprised, and also for the last Lord Mayor, on his visit to India, education was a top priority, particularly education to do with financial services and the City, so I will follow up on that, if I may, because I find that very surprising and it is a great opportunity, I agree with you.

Q98 Mr Weir: I would just like to follow up what you were saying about the regional bodies. We understand from your submission here that you have kind of got a mapping process about what the regional bodies are doing with India. I just wondered how far that has gone and whether you have reached any initial views on whether there should be a streamlining process, and how it fits in with what you were saying earlier about yourself having regional persons with the regional development agencies in place, so I wondered if you could tell us some more about that.
Ms Bamford: The mapping study took place through the summer and what we did was look at what already exists. The results were that it was inconsistent. Well, some areas are very enthusiastic and have a large number of staff, and I would just take London, for example, where there is a considerable amount of resource and interest in the India agenda. What we also found was that these organisations were not necessarily linking together, they were not sharing knowledge and that the individuals who are delivering the India services would welcome our support in terms of their own personal development, up-to-date information and the opportunities that are there for India that they can pass on, so the regional study, in essence, gave us the view that it is inconsistent at best and that there was a willingness to engage. As for the regions, we have pushed on an open door, and certainly we went to Yorkshire Forward who, based on the very successful IFA awards earlier this year, have said, "Yes, we would like to capitalise on that opportunity with India". UKTI provide India champions and their trade promoters in the regions, but they are not necessarily India specialists and where our competitive advantage is is to understand what is there, to support that knowledge, not to duplicate or replicate, and also to develop the knowledge base that is in each region, to draw that together in a matrix of capabilities in terms of sectors and exporting, understand what exists that UKTI provides and provide the leadership. We have not had any issues in terms of going to the regions of preciousness, competitiveness, "We are duplicating, we are in a crowded market", so it has been warmly welcomed by the regions.

Q99 Mr Weir: That is highly interesting because the view has been expressed to us that the number of RDAs operating in India are causing confusion in India because the UK is a relatively small country, you have got Scottish Trade International, the English RDAs and there are many English RDAs working there. Have you found that to be a problem? You seem to be looking at it from a different angle.

Ms Bamford: The area we have explored and researched has been the UK side, and that was our research in the summer, what is happening in the UK, looking at India, and there has been that openness and willingness. We are exploring putting two members of staff and part of our plan is to have a member of staff in Delhi from a government perspective and in Mumbai where we see two significant first steps into India. The opportunity there is for again leadership, of actually having that one UK voice and supporting all of the regions there. Again, we have worked with UKTI, we have taken a view—

Q100 Mr Weir: But do you see your role as encouraging the regional development agencies to take a more active role in India itself? I am getting a slightly conflicting message here because we have been told previously by others that there is already confusion because there are too many people there. You seem to be suggesting that your role is to encourage RDAs to take a greater interest in India and I am just wondering about the structures of doing that. Do you see them as themselves opening up in India or do you see yourselves as a conduit for information from India back to the UK and then to be dispersed to the RDAs?

Ms Bamford: In terms of the amount of shoe leather and sales in India, a huge country with huge opportunity, what we have done is looked at what is already there and taking the opportunity that is there, so if there are representatives in India already, that is a given and it is not our decision on whether they are there or they are not. It is our role to look at what is there and how to maximise that effectively for the benefit of the UK, so what we have done is looked at what is there, spoken to everyone, asked how we can best support and our role will be taking the opportunities for all of the UK of providing leadership to those that are already operating there, of providing the UK message and making sure that it is dispersed out through UKIBC into India. Were there is a specific opportunity, there is no one that is going to promote the West Midlands or London or wherever more than the person who is there and it is their job, so the more people we have promoting the UK, the more opportunities we will have. Our role is to support, provide the leadership and try to provide that conduit and that portal for good-quality information, but also the information that is most appropriate to a region or a sector and make sure that that goes out with the right opportunity because at the end of the day a business will make a decision based on the best location for them to do business and the best opportunity, and we can provide a very objective view of where and pass them on to the relevant bodies that are dealing with inward investment or trade in a particular region, so there is already a landscape, it already exists, and our role is to provide leadership around that as it exists at the moment.

Dr Vyakarnam: One of the other roles that we would have with a typical regional agency would be to try to influence and advise them on the basis of our own background knowledge in terms of how they should be dealing with parts of India. India is a big country and a typical RDA cannot tackle the whole of India, so about three or four weeks ago I went to India for a one-week visit, which included the Chairman of the East of England Development Agency, for instance, and that was part of the *pro bono* time that he put in to try and influence that region's thinking and focus their time and energy so that that particular region does not throw everything at India and hope for the best, but to try to direct them.

Q101 Mr Weir: Are you trying then to focus regional development agencies on specific areas or industries of India which must match what the region in the UK does best? Is that the thinking?

Dr Vyakarnam: Personally, I think that is what should be happening. I dare not speak for the chairs and the CEOs of the RDAs on what they should be doing, but I think, yes, India is a sub-continent and each of the regions here ought really to focus on their own core competencies. The East of England, I thought, had core competencies in hi-tech, research, development, et cetera and, therefore, it is about trying to influence the thinking to say, "Why don't you look at parts of India where there's a good fit and synergy?", and, with the Vice Chancellor of Cambridge going to India, there seemed to be, "Let's get a pre-visit done and get the regions' thinking orchestrated and help to join the dots" basically.

Lord Bilimoria: One of the biggest strengths of, say, Cambridge is that it is one of the leading clusters in the world of leading academic research and all the spin-out businesses in a regional area. Shai is an expert in this area and there is potential to try and help those sorts of clusters being formed in India, maybe twinning, and one example could be Cambridge being twinned with Bangalore and the work that is going on there, and again that is a regional focus but with a region in India.

Q102 Mr Weir: How does that fit in with what UKTI are doing? We heard from them that they were looking at, for example, co-locating regional development agencies with UKTI, and they mentioned the South West, the South East and the Northern Ireland Office coming together with UKTI. Are you in contact with them on their strategies and are you working on strategies together?

Lord Bilimoria: Yes, very much so. In the regions, for example, again, Sharon, you need to answer this specifically, but it is working alongside UKTI within the regions.

Ms Bamford: Our strategy is very much alive, but we also have to be the voice of business and, if you look at the German Chamber of Commerce, the US India

Business Council and how well they are performing in India, both, admittedly, having been around for about 50 years, but we also have to be the voice of business, responding to the needs of business. Our understanding and mapping of other membership services and what is happening is based on, "Yes, we do need to have regional representation, but we must also be representing the business voice. We must be a business organisation, working closely with government", and I am in regular contact with the High Commission in India and also working with UKTI in the UK, working with the RDAs, so our role is not to duplicate, but to provide strategic leadership and meet the needs of members, what does business want, so rather than it just being a government policy and a government agenda, what are the pragmatic outcomes that we can provide for businesses that are operating there, intending to operate or to trade and invest.

Lord Bilimoria: This just brings up, to me, a very, very important point about what we are doing in terms of the UK-India Business Council. It is a wonderful example of private sector lead supported by government, and government and business, private sector, working together. It is absolutely wonderful and tailored to a market need both here and in India and bringing two countries together, so it really is terrific. I do not think in this sense the private sector could do it on its own or government could do it on its own as well as we can do it together.

Q103 Mr Weir: An interesting perspective on the whole thing. Coming from the other side, do you believe that Indian bodies, such as NASSCOM, should establish offices within the UK or do you think it will be easily operated through yourselves?

Lord Bilimoria: What is happening is, for example, the CII have a representative, an individual, based over here. The Federation of Indian Chambers of Commerce and Industry, FICCI, have an office with a representative over there. What we do is we have those individuals sitting at our meetings in the same way that we have a representative of the CBI, in the same way that we have a representative of the British Chambers of Commerce, a representative of the London Mayor's Office and the Lord Mayor's Office, and it is bringing everyone around the table and if NASSCOM opened up an office over here, the NASSCOM representative would be at the table. The Indus Entrepreneurs (TiE), and many of us are board members of TiE and we are represented at the table, so it is bringing all the different views around the table.

Ms Bamford: We talk regularly. We have a monthly meeting with both CII and FICCI and we find that it adds value to UK businesses because they provide a range of contacts, the knowledge on the ground, and it is a resource in India for us, so we do not see it as competitive; we see it as a huge advantage for us.

Dr Vyakarnam: Frankly, anything that can enhance Indo-British relations and NASSCOM in particular, is based on the Indian diaspora in the USA. If NASSCOM decides to open an office in the UK, I think that is a welcome step forward.

Q104 Mr Bone: As we move into our last ten minutes of existence, it is probably appropriate that we talk about the European Union. You have talked about what you do and you have talked about what the Government does, but if the European Union does not improve trade relationships with India, we are really banging our heads against a brick wall. With the collapse of the Doha Round, there is now discussion or talks beginning about a free trade area with India. What difference do you think that would make, if it happened?

Lord Bilimoria: As I said earlier, I have just returned from a visit to India, a delegation on which there were two of our British MEPs as part of the delegation and we had a meeting with one of the experts in India on the European Union and India engagement. The message was very clear, that the bilateral arrangement between any European country and India should not be interfered with, should not be hindered in any way and should go ahead full steam as we are trying to do over here with the UK-India Business Council, so I think that carries on. The Doha Round sadly is in a stalled phase at the moment on a global multilateral basis and I think everyone would like that to proceed, but there is that serious, serious issue of agriculture which is quite understandable from the Indian point of view which is a main stalling issue. With the EU-India Free Trade Agreement, which it has now been decided to go ahead with, I think it is an excellent idea and we should go ahead, so the message is very clear, that it is in addition to the bilateral arrangement and in addition to the multilateral arrangement. To that extent, I think progress is being made and we are trying to get it in place as soon as possible and the negotiations are going to have to take place, but I think Britain is fully behind it and I am personally all for it.

Q105 Mr Bone: The multilateral arrangements, many people say, cannot go ahead because of intransigence by the European Union. The bilateral arrangements are severely restricted because of European Union rules, so it is actually the European Union that we have to get to move. Now, you say progress is being made, but would you like to hazard a guess as to in what decade an agreement of free trade with India would occur?

Lord Bilimoria: Well, on EU-India, I was led or given the impression that this is something that is hopefully going to be concluded within the next year and a half to two years. That seemed the approximate timescale that I am under.

Q106 Mr Bone: Well, that is very encouraging. I was reading the CBI's paper to us on this subject. They seem to be somewhat doubtful that it will actually really be a free trade agreement, that there will be so many different opt-outs and restrictions that all it will be, at best, is a slight improvement on the situation and they really want something substantial. Do you think that is what we are aiming for or are we just tinkering?

Lord Bilimoria: Obviously the more substantial it can be, the better. We have free trade within the EU and if that free trade within the EU can be tied to free trade with India, then logically there is no reason why it should not work, but there are all the negotiations to go through. What I feel is very, very important is that our bilateral initiative should not in any way depend on the outcome of an EU-India agreement. We should continue to make as much progress as we can on increasing trade between Britain and India both ways and we should continue to lobby for the opening up of financial services, legal services, banking, Lloyd's being able to operate in India, insurance limits being increased and all of those we should keep going for on a bilateral basis and we are making progress on them.

Q107 Mr Bone: But you do not think that the European Union would be going for those?
Lord Bilimoria: If they do in addition, that is terrific, but I do not think we should hold out for it or wait for it and I think we should support an EU-India Free Trade Agreement as much as we can, as we are doing.

Q108 Chairman: Well, we are now into our final few minutes and there is just one last nitty-gritty question from me actually. Just tell me the priority you attach to the SME sector. It is a difficult one and we have noted that it is a difficult market for SMEs and obviously the big corporates are understanding more and more the opportunities there, but what do you think you ought to be doing on SMEs?
Lord Bilimoria: Having been an SME myself, I understand the situation with SMEs, being really spread out over the country. A lot of them are not aware of the opportunity of India, and a lot of them are aware of the opportunity of India, but have apprehensions of how to start and where to go and I think there is support required in increasing awareness and in helping the SME sector throughout the UK, and also the SMEs in India, putting the SMEs in India together with the SMEs over here, so there is an enormous opportunity. That is going to be one of our fundamental roles, to reach out to the SMEs in both countries. To that extent, we have made a flying start and Sharon and Shai are both involved in one initiative which we have just started right now.
Ms Bamford: We are looking at a type of social entrepreneurs engaging next-generation, young entrepreneurs through our own network and supporting them in terms of their own knowledge and aspiration of the Indian market. I am also of course an SME that went into an emerging market and I am aware of the time commitment, the resource and the capital involved in doing that. I think our knowledge and our expertise will enable the right decisions to be made at the right time. However, with the change in the retail sector and the new opportunities opening up in India, there has never been a better time for small, very nifty, entrepreneurial companies to take advantage of those opportunities.
Dr Vyakarnam: I think one of the jobs for us is to try to help clarify why they should engage with India, whether it is to get supply advantage, whether it is to get market advantage or whether it is a strategic way for them to grow. I think that, as long as we are able to engage them and provide the support mechanisms and understand that the resources are stretched for them and be sensitive to them, we should be able to make progress in that sector too.
Chairman: To all three of you, we must draw this to a conclusion, but can I say how much we have enjoyed your evidence. We are encouraged by the energy and enthusiasm that you are showing to the cause and, if you are led by Karan Bilimoria, I think that is pretty inevitable. I would certainly echo what Brian Binley said earlier about paying tribute to your personal dedication to improving at all levels, cultural, political and economic, the Indo-British relationships, so, Karan, well done and thank you for all you are doing. This is something of a nostalgic moment because it is the very last time that we will close a meeting of the Trade and Industry Select Committee. We will be reborn, but downsized, in the new Parliament, the new session. Can I just say to colleagues who may not be with us in that new Committee how much I appreciate the work that you have done for the Committee, for whatever reason. To colleagues who will be rejoining us, I look forward to re-engaging in battle, particularly with Lord Jones, on these issues in a few weeks' time. We have been served by some remarkable chairmen over the years, Ken Warren, Martin O'Neill, now Lord O'Neill, whom we met last night when saying goodbye to our outstanding Clerk, Elizabeth Flood, who sadly also leaves us at this moment too, so for all kinds of reasons, this is a nostalgic occasion, but I would just like to say thank you very much and I declare the last ever meeting of the Trade and Industry Select Committee firmly closed.

Tuesday 8 January 2008

Members present

Peter Luff, Chairman

Mr Adrian Bailey	Anne Moffat
Mr Brian Binley	Mr Mike Weir
Miss Julie Kirkbride	Mr Anthony Wright

Witnesses: **Mr Gareth Thomas**, MP, Minister for Trade and Consumer Affairs (BERR)/Minister for Trade and Development (DFID), and **Lord Jones of Birmingham**, a Member of the House of Lords, Minister for Trade and Investment, BERR/FCO, gave evidence.

Q109 Chairman: Do you think there have been any important changes in the relationship since we reported 18 months ago?
Lord Jones of Birmingham: Yes. The work you did in 2006 and the report that you issued, before my time, UKTI took on board, they took it to heart and they worked with it as a basis for change. I think it has been given an added impetus since my arrival because of my relationship with Kamal Nath, we know each other quite well, and because of the huge importance of trade promotion that India represents the UK economy in both directions and also obviously from an investment point of view. Do I think that your work has formed the basis of change? Yes, I do.

Q110 Chairman: That was not the question I asked. I am very flattered by the answer and grateful for it. As you raise our report, you rather rubbished it when you were Director-General of the CBI. You said it was not fair what we had said about British business and engagement with India. Was that then and this is now? Have you changed your mind? Was there a misunderstanding?
Lord Jones of Birmingham: No, I think it was not encouraging enough. In this job now I can see how it was blunt enough to get the government agency side of it, the implementation side and government policy side of it, UKTI, to accept some recommendations and change. From a business point of view, there will be many a business that will be saying, "Hang on, this isn't fair. We're busting our gut here." A very good example, coming in on the back of what Gareth has been saying, would be financial services. I do not meet a bank or an insurance company or a firm of accountants or lawyers who do not say, "Don't blame me for not being able to open in Mumbai. I'd be there in the morning if only protectionism with India allowed us to do so." Then you go to Kamal Nath, as I do, and I say, "Come on, let the accountants and the lawyers in, especially when they are going to spend $300 billion on their infrastructure." They want to lever that up with private sector finance. They are not going to do that without the Kamal followers coming in. Kamal will say, "That's fine. So when are Brussels going to let me sell my agricultural stuff or, more importantly, stop subsidising French farmers selling into India and hurting my domestic agricultural economy?" Those two things are intrinsically linked and in that respect I think you were unfair in 2006 not acknowledging that the business community in Britain would be doing so much more in India if protectionism let it.

Q111 Chairman: That was fully reflected in the report. We entirely agree with what you have just said. The fact is that we were paying much more attention as a country to China than to India and we were ignoring the opportunities—
Lord Jones of Birmingham: Are or were?

Q112 Chairman: Were. I feel the balance is now much more appropriate.
Lord Jones of Birmingham: I agree.

Q113 Chairman: Excellent. Let us leave it at that.
Lord Jones of Birmingham: Could I make one other point about your report in 2006? At the time I said, and I think it is worthy of repetition, many, many, many people say to the business community in Britain and say to UKTI that exports from Britain to India are not enough, they are nowhere near; they are three times more France-India than they are here. When you did your report I investigated that and, as you will know, about 50% on average—60% in some cases and 40% in others—of every Airbus that is ever sold out of Toulouse to anywhere in the world is made in Britain. When we do that we send it down to Toulouse for final assembly. We book that as an export to France. When the French put it all together and sell one completed Airbus to India and China which, along with America, are their biggest export markets, they book the whole thing as an export from France. So no wonder they are selling more to India than us. It is because half of what they sell is made in Britain.

Q114 Chairman: We also suspect the statistics on investment are misleading because of the historic base of British investment and the use of Mauritius as a tax haven.
Lord Jones of Birmingham: We are booked as the third largest investor in India. Mauritius is one and America is two. So we are actually the second really.

Q115 Chairman: We think things have changed and we are encouraged by that, in response to our report. Do you have a view on what the large investment deals that India has been doing in the UK have done for perceptions recently, the Corus/Tata and Vodafone in India? Ford has confirmed that Tata is

effectively the preferred bidder for Land Rover and Jaguar. What effect do you think that is having on the climate?
Lord Jones of Birmingham: It is raising the bar in both directions. It is bringing the skill and expertise of companies in either direction and increasing competition and so the Chinas and the Americas and the Germanys will have to raise their game in both directions too, especially inward investment here. Tata's experience of Corus is a very, very good model for this for two reasons. Firstly, Ratan Tata said in public to me on a platform in Mumbai in September, "Britain is the most fabulous place in which to buy a company. You don't get any Government interference. Unlike the French, the Americans and the Germans, they are not in there meddling. The British Government stay out of it and let us do the deal." If a company the size and with the street cred of Tata say that publicly then their involvement in Britain is something we can use as a flagship example.

Q116 Chairman: When he says that to you do you say, "But it's not true the other way round, minister, because Vodafone are having huge problems with their tax bill following their acquisition in India"?
Lord Jones of Birmingham: I do actually.

Q117 Chairman: So you do do policy as well?
Lord Jones of Birmingham: You might say that. I could not possibly comment!
Mr Thomas: I was going to make exactly that point. I think one of the effects of Tata/Corus, et cetera, has been to increase the sense of urgency that is being transmitted to me as a Minister about British businesses' desire to get into the India market much more fully than they have been able to do, as Digby has indicated. I think that is partly because of some recognition that Doha is still not concluded and has a little way to run yet. I think there was real enthusiasm from the British business community when EU-India RTA discussions were launched. I think we are seeing a much greater range of businesses within the UK starting to look at what those RTA negotiations might deliver.
Lord Jones of Birmingham: Let me give you an example in either direction. Tata take Corus and they go down to Port Talbot and they say, "The speciality stuff is fabulous, there is some commodity stuff but it is going into the British market, car manufacturing is a good example, fabulous, but tinplate manufacture, frankly that should go to India." Instead of doing what "overseas" investors do according to popular press, which is close it tomorrow and take it to India, he actually said, "There are 300 jobs here. We'll take three years, with no drop in pay, we will skill you all into the speciality stuff and when you are skilled into the other job we will move it to India." You will not see that story in newspapers because it is good news. That is actually the way to be. If Tata can be that good example and Mahindra & Mahindra, Bharat Forge and Vijay Mallya, they are all doing it in a way that raises the bar for how inward investment should behave. If you look at Delhi airport, they are building an airport as we speak to take 100 million passengers a year. The consulting engineer is Mott MacDonald. When you get that type of professionalism saying, "We'll help you spend this enormous investment in infrastructure but, by the way, to put the ball in the net and maximise your spend we need the accountants and the lawyers and the bankers ---", at which Britain excels, suddenly, rather than some negotiation in Geneva, on the ground someone says, "Actually, they're right". However, the vested interests that are keeping the inherent protectionism in the Indian financial services market, be it lawyers or banks, they see that they get more from using specialist expertise from London, that is the way to make this happen, not just a negotiation in Geneva.

Q118 Chairman: Can I ask you questions of tactics in terms of our relationship in the Indian market? Do you think we are getting the SME sector sufficiently engaged or is it too difficult a market? Are the SMEs sufficiently engaged in the Indian market or should we not have too high an expectation of their engagement?
Lord Jones of Birmingham: I think we should not have too high an expectation. It is difficult. If Rolls Royce go into a market they are not betting the ranch. If a small business of creative industries, at which we excel, go into Mumbai and start working with Bollywood, a fabulous global brand, they can bet the ranch very easily and quickly and they do that with some temerity. One of my visions is that UKTI is there to help those small businesses as much as it is to help your big businesses. They have different issues about learning, expertise and risk and hopefully our Owners (?) Programme, which is being very successful around the world, is something that can help those small businesses. Do we expect too much of the small businesses in Britain in air export? I think we do. Should we take the heat off? No. The only way they get more competitive at home and more productive at home and better for the domestic consumer at home is by exposing themselves to overseas competition. They have got to keep doing that.

Q119 Chairman: It is a difficult market for small and medium-sized businesses. We have heard evidence that the UK concentrates too much on promoting individual sectors rather than crosscutting consortia that push for entire projects. That could actually bring in the SME sector as well if you had crosscutting.
Lord Jones of Birmingham: I actually think that that policy is flawed. I do not think it gets the best. I do not think it develops and delivers. I think the way to get your small business engaged on your bigger project is to get one of the big players to bring the small business in and I think that is important, but the initiative there should come from the bigger business and the relationship with small business here before they go. Where I think it is flawed is to turn up and say, "I will build you this, here are all my supply chain and here is the money and here is all my professional expertise," and it is all coming out of Tokyo and it will be here on Monday morning. Well,

8 January 2008 Mr Gareth Thomas and Lord Jones of Birmingham

the consumer in India is not getting a good deal because they probably are the best at X but probably not the best at Y. If the consumer in India can have the best that Britain can give, the best that France can give and the best that Japan can give in one project you tend to get a better result for the spender and that is what we should be concentrating on.

Q120 Chairman: Mr Thomas, there is an irony here because we are talking about India as a vast promoter of world economic growth, doing extremely well, with steep increases in GDP and yet it still has more people living on below a dollar a day than the whole of Africa. It is a country of immense poverty and that poverty could yet, in some scenarios, derail India's success. Do you think enough of India's growth gains are going to the poor, and what are you doing in this respect? I know DFID has programmes in India, of course.
Mr Thomas: I think there are a number of levels to modern India. There is, as you describe, very, very poor India. I think I remember seeing a figure of 300 million people living on less than a dollar a day still, but there is also a very wealthy India, an India that can compete on equal terms in international markets and a series of Indias between those two widely diverging situations. Through the Department for International Development we can help tackle some of the issues that are facing the poorest parts of India. For example, we have substantial investment in primary education in India and have succeeded in working with the Indian government to help get over 10 million children into primary school for the very first time between 2003 and 2006. That is just one example of the things that we can do directly as the Department for International Development by working with the Indians to open up their markets as the Regional Trade Agreement and negotiations will allow. We can help India get access to the best expertise that the European Union has to offer and particularly the best expertise that Britain has to offer. As Digby alluded to, the legal services, financial services and the expertise that we have to offer is second to none.

Q121 Chairman: Lord Jones gave us a magnificent series of these characteristics and I agree with his analysis on the impact of free trade on the world, but in India are we sure the benefits of trade are actually going to the poor?
Mr Thomas: I think many of the benefits are going to the poor. India's rate of economic growth is high. Equally, India faces, for example, huge infrastructure constraints if it wants to increase its trade and increase the opportunities for the very poorest people to trade. What we can do is make sure, through our engagement with the World Bank, the Asian Development Bank, et cetera, that India has access to some of the international financial institutions' resources. We can also, through the RTA discussions, help make sure that India has access to the best that Britain can offer in terms of legal expertise, financial services, et cetera.
Lord Jones of Birmingham: One thing we should all be careful about and I make this mistake often is we put the words "to India and China" and we tend to lump them together when we talk about both the globalisation effect on the UK and also on the world. They are two entirely different bases for their effect on provision into the world of goods and services. There are 800 million Indians who work on the land out of a population of one billion. We are talking about 200 million who are what you and I would call "India". The problem is that India has chosen, rightly in many ways, to go to the value added end of what it can export and what it can provide. Software is an excellent example. The problem with that is how do you get 800 million getting up out of the agri-economy and out of their under a dollar a day—not all 800 million are on that—into the sectors which do not absorb a mass of people? In China, because of their manufacturing side of it, they absorb huge amounts of people to do everything, whereas in India they are absorbing the mind more and to get 800 million out of that is the most enormous challenge. I make this mistake of always saying "to India and China" and we should stop that because they are two entirely different countries and there are different issues about how the effect of globalisation on them and through them is going to happen in this country.

Q122 Mr Wright: When we had Mr Ahmad before us just recently he mentioned, with regard to 'Team India', that the last remaining posts are being filled; I think it was an increase from 70 to 91 staff. How is it developing at the moment, and are we up to full complement now?
Lord Jones of Birmingham: We are. We have increased by nearly 20%. We have put in place now, second only to America, and if not second then certainly the top two or three, the biggest complement we have got in the UKTI in one country. The resources that we have put in to UKTI's presence in India --- I am proud to have stood up in September and said to them, "You matter this much," that is what we have done and we have not just talked about it, we have matched it with people.

Q123 Mr Wright: Are there any figures proving that it is going to be a positive exercise in terms of returns?
Lord Jones of Birmingham: There are two things. It is already showing benefit. I am going round doing this, but once I have gone out of town it is important we then deliver and it is not just a case of saying that the minister came in and talked about it and then went. The positive development is we are able to stay in touch and get them in and moving. Secondly, and something I feel quite strongly about, it is very important that every so often we say, "How is it for you?". That is not a question we put to these extra people we have put in, this is to the people who are using the service. "Has it improved? Is it better? Are you getting what you want?" That is two-way. This is also about inward investment into here.

Q124 Mr Wright: One of the issues that we have looked at when we visited India a couple of years ago now was that there is stiff competition for talented staff in the major cities which has driven up pay. UKTI had a review of salaries and it was expected that salaries would be augmented, the details of which were being worked on at that particular time. Has this been put into effect, and can you give us any up-to-date details?
Lord Jones of Birmingham: As an aside, when I met Rata Tata in September in Mumbai I said to him, "What's your biggest issue?" and he said, "I can't get enough skilled people," and I was bowled over. Here was this Indian company and it could not get enough skilled people. The skills deficiency is not just a British or Western European issue and that impacts on UKTI's recruitment and pay in India as well. As you probably know, in Chennai at the moment you have got Accenture and Standard Chartered and one or two others really in competition for the best and every time they recruit somebody up goes the price and skilled labour is becoming scarce and the rates are going up. That impacts on us too. So in all our bases in India, in our nine places, we have had a look and with the exception of one they are having an increase in their pay now. The one is Mumbai. In Mumbai they were doing very well. Were they doing well enough? No, of course not. You do not, I do not, none of us do, we all want more. We got it out of kilter with the others rather than them. This year we are bringing others up, not all of them uniformly. I do not believe in uniformity in pay and incentive because they operate in different parts with different pressures and different markets, but I do expect to see morale boost and greater productivity out of extra effort brought about by incentivisation in other markets in India, other cities and then next year Mumbai can compete for and enjoy increases in pay as will the others. It is not a case of, "We're going to discriminate against one city now," it is trying, with the limited resource that we have, to bring it up and then move forward with them all together.

Q125 Mr Wright: So it is more or less a regional policy then depending on the part of India where you work?
Lord Jones of Birmingham: For this year.

Q126 Mr Wright: So the review that was held by UKTI is over now, you have now got the policy put forward and therefore you know the direction that you are going to move in?
Lord Jones of Birmingham: Yes, definitely and we have communicated it.

Q127 Mr Wright: Is it a short-term review or is it going to be over a longer term?
Lord Jones of Birmingham: It is a short-term review to get it sorted this year and then it applies going forward in terms of the fact that this time next year I am sure we are going to have some people in Mumbai saying, "I've done really well. I've had a fabulous year. I've produced everything you wanted. I understood last year how I had to wait because others had to catch up, but now how about me?" I think that is a perfectly legitimate thing to say and we will respond with them being able to share in the pot.

Q128 Mr Wright: One of the other reviews was the question of the RDAs and the effect that they were having and it was another review that was due shortly. Have they given their review and, if not, how is it progressing?
Lord Jones of Birmingham: The factual answer is they have given their review. It is currently with me. I have yet to decide how to act on that review. I am not going to say today what is in that review, not because I am hiding it for you, but I have not had a good look at it myself either.

Q129 Mr Wright: What is the timescale of that?
Lord Jones of Birmingham: I would have said between three and six months.

Q130 Mr Wright: So you would be able to give us a review by the summer?
Lord Jones of Birmingham: I would sincerely hope so, yes. One thing I have been pleased about, and maybe it is because I do not come from south of Watford and maybe it is because in 1999 I was part of the engine to drive forward the creation of RDAs, but I think the relationship between UKTI and RDAs in UK and their application in places has improved in the last six months quite a lot. I am rather pleased to see that. Do I still see duplication that upsets me let alone all of you? Yes. Does it still frustrate me when I turn up at places and I have got UKTI and the Union Jack and then I have got the Saltaire in Scotland sitting there? Yes. Even me with my view on that, I can tell you one thing that I get in the feedback from everybody, the inward investor does not seem to get a confused message, they do not seem to say, "Well, we didn't understand". So I have got to be fair and say it does not seem to have an impact on the application of inward investment. Do I like to see, for instance, the west and east Midlands merged together and them saying we will market it as the Midlands? Do I like to see north-west Yorkshire and the north-east coming together and doing things? Yes, I do actually. I think it is a better way of maximising the taxpayer's pound. Do I think we will have a greater degree of issue on that with the devolved administrations? Yes, I do, but you cannot have it both ways. You cannot devolve power to a country, Wales, Scotland, Northern Ireland, and then say, "Oh, by the way, it doesn't suit over here". I think the way to deal with that is constant engagement and to try and get them sometimes to work more closely with us. I am seeing a better engagement in the regions of England where UKTI's people are more welcome, where it seems to be working better and I am seeing it go in the right direction. I went up to Scotland just before Christmas for two days and I had a dinner with people where I asked "How is it for you?". It was a private dinner where they could open up their hearts and tell me how it was. They themselves—and these are Scots people telling me and not just business people but officials as well—were saying, "We can

8 January 2008 Mr Gareth Thomas and Lord Jones of Birmingham

see why in certain areas we ought to be working more closely with you". I did not ask that; they gave it to me. I thought that was great news. I am a bit more optimistic than I was six months ago. When I started this I thought this was going to be a huge issue, it still is, but it is going in the right direction.

Q131 Mr Wright: Which shows that RDAs both at home and abroad are doing a good job but it needs tweaking.
Lord Jones of Birmingham: Yes, but it also needs a little bit more fusion of overhead abroad so that we can do more with the same amount of money, which comes back to that idea of do I want more money? No, I want to do more --- Of course I do, but you know what I mean. I am not going to get it. I can do more with the money we have got.

Q132 Chairman: The Committee is encouraged by your answer to that question. In the interests of open government, at what stage would you be prepared to share with us or the House of Commons the information on which you will base your decisions? Now?
Lord Jones of Birmingham: Now in as much as when I have read it and understood it, yes, but I have not read it and understood it yet. I gave an honest answer in saying I have it. Have I yet got to a position where I have taken it home and had a really good take of it and in a position to work with my officials and produce? I am not there yet. Will it be soon? Yes. Will you be the first to hear, Chairman? I hope so.
Chairman: We may be launching our own new inquiry into the role of RDAs in the very near future. It will be of great interest to us.

Q133 Mr Bailey: In the previous evidence session you mentioned the possible over-concentration on business links with Beijing in Shanghai. Do you think the same applies in the Indian context to Mumbai and Bangalore, and what efforts are made by 'Team India' to diversify?
Lord Jones of Birmingham: On a business case?

Q134 Mr Bailey: Yes.
Lord Jones of Birmingham: Not politically?

Q135 Mr Bailey: Yes.
Lord Jones of Birmingham: I probably do. Yes, it was necessary to start. Mumbai is the driver and especially there you will find so many of the non-software inward investors into the United Kingdom. Secondly, Bangalore was the IT driver. So there is a natural gravitation there with Genesis and Enysis and the others and therefore you will find a lot of the smaller businesses in Britain in that sector going round and feeding off the big totems of the big software houses. Bangalore happens to be a big university city. It is where AstraZeneca have gone and based their R&D in India. Why? Because the university is there. There is a natural gravitational push. That is never going to change, nor should it. What we have got to do is say Mumbai industrially and financially and commercially and Bangalore pharmaceuticals and IT, they must carry on and we—because we excel in those sectors as a nation—must carry on with that, but Chennai, Kolkata—Kolkata (West Bengal) has got this Communist Chief Minister and it is one of the most entrepreneurial cities I have ever seen. The natural investment decision from especially a middle size business in Britain will be "I will not got to Kolkata (West Bengal) because they have got a Communist Chief Minister", whereas if they knew a bit more about it, there is a region and a city aching for more inward investment, especially from Britain. Hyderabad is trying very hard to benefit from wage inflation in Bangalore and Chennai and saying, "Come to Hyderabad with your IT investment. Come to Hyderabad with your pharmaceutical investment. We have still got a pool of skilled labour that is not charging so much." So those cities should actually get more of their time in the sun. Then we should not forget Delhi. I try very hard, where I go—I do not go to Berlin, I go to Düsseldorf; I do not go to Washington, I go to New York; I do not want to go to Ankara, I want to go to Istanbul; I do not really want to go to Delhi, I want to go to Mumbai or Bangalore or Chennai. Why? Because that is where the business is done, not where the politics is done. Delhi is, itself, a huge business base as well, and many, many British companies are based there. Next week—I fly on Sunday—I am going to speak at the CII summit. Where is that? Delhi. I am going to the auto show, Auto-Expo, the great Indian motor show, which is particularly to the moment, given Tata, Jaguar and Ford, and where is that? Delhi. So Delhi is important and it will continue to be on my radar screen, but you are right, we should also get into Hyderabad and Chennai, in the way we have done in Mumbai and Bangalore.

Q136 Mr Bailey: Just to follow up: how satisfied are you that UKTI team India is doing it?
Lord Jones of Birmingham: Very. In fact, probably more than I thought it would be. It has had a big fillip because in November the UK-India Business Council was launched and Sharon Bamford is full-time there as Chief Executive, working extremely well. I saw this morning in *The Daily Telegraph* (Miss Kirkbride's former paper) that Sharon Bamford, Chief Executive of UK-India Business Council brokered the deal, by which one of the dragons, Peter Jones from Dragons' Den, is going into Business Angels in Mumbai and getting private sector investment into start-ups in India. That is not an American doing that; that is not a Frenchman or a German or a Japanese—it is a Brit. If we have got, through UKTI, support for that (and I do not just mean Digby making a speech at the opening, which I did; I do mean dosh—we have put £1 million into that), what have we got in return? Already, we have got the Chief Executive saying today—

Q137 Chairman: You are anticipating future questions.
Lord Jones of Birmingham: So is it working? Yes, it is working. You asked me, I am telling you.

Q138 Mr Bailey: Can I just ask, finally, on UKTI strategy, how is it developing and how is the financial services person in Mumbai getting on? Have we got any easy wins out of it?

Lord Jones of Birmingham: I wish I could say "yes" to that. The problem is that yes, I have got some financial service wins out of it—insurers. At last, as you know, Lloyds of London is finally there; we have got Aviva in there and Prudential in there. I would love to see more and more, but they are all joint ventures, remember; they cannot earn 51%. Financial services in Mumbai: we want the London Stock Exchange in there and this Business Angels thing is very important; 3i are already in there but why are not the rest of the private equity boys? So, is it going in the right direction? Yes. Is our financial services expert there making a difference? Yes. Is it really hard work? You bet it is. The problem is that it is so important to the UK as a sector in which we excel. We are now the capital of the world; it is no longer Wall Street; it is actually Canary Wharf. That is fabulous, and that is an exportable, transportable model into Mumbai, but I sat in front of the Governor of the Reserve Bank of India, Mr Reddy, last September and I said to him: "Last year you granted 12 licences to operate for banks, in the whole of India, to the whole of the overseas banking community—12. Please do not tell me you are opening your market". To which he said: "It's very difficult—vested interests". I said: "I know your issues, I am merely telling you do not expect the banks to come in here and bring competition, raise the bar, and get behind your infrastructure investment spend if, actually, you are not granting licences". They granted one to Standard Chartered and they called a call centre a retail branch. That was one of the 12 licences. So does my man in Mumbai sit there every day going: "I'm doing my best, pal, but I've got this against me"? Yes, he does. Against that, is it going in the right direction? Yes, it is. Does that involve policy? Yes, it does.

Chairman: Well anticipated, Lord Jones!

Q139 Miss Kirkbride: I think it will be Mike Weir's questions to ask more about how we get the camp followers following behind, as Digby called them earlier—his previous profession. However, I want to ask about the China-Britain Business council as the model on which we now do things in China in relation to UKTI services. Is this a future model for how we do it in India as well?

Lord Jones of Birmingham: In part, yes. Did it provide the impetus? Yes. Was it working well and we thought: "Right, let's use it as a template"? Yes, we did. However, now it is up and running, I think the UK-India Business Council is going to have a completely different persona. There are two or three reasons why, really: it is operating in a democracy, for a start; it has a lobby ability that the China-Britain Business Council does not have. Secondly, it can operate in a different way on the ground; physically, on the street—it can operate differently to how it can in Beijing. Thirdly, it has a different make-up of members because you will always have your (thank heavens we do) global brand businesses, which will be in both—Rolls Royce is a good example, Vodafone is another and JCB is another—fabulous stuff—and the banks, of course, and the accountants and the lawyers—but there is the software industry, for instance, in India and they are very much part of Karan Billamoria's plans going forward. You do not find that so much in China. There are environmental issues in India but they are not the same, nor are they of the size, as you are getting in China. So I am putting a big push in the Business Council in China into environmental engineering, for all the reasons we discussed, and there is probably not the same emphasis in India. However, the template of how it is set up and working—was the China example followed? Yes. Did it provide the impetus? Yes. Are we glad we did? Yes, it is working. However, it will take a different persona going forward.

Q140 Miss Kirkbride: So the two will co-exist much more?

Lord Jones of Birmingham: Yes. When I was at the CBI I used to—and I do it now—always want to go and see the British Council, for instance, because they are part of "Brand Britain"; they are part of being able to bring all the different impetuses and influences of this nation to bear to enhance the brand of our country somewhere else, while those business councils are another part of that. So, no, Minister—it should not just be Digby going and seeing them (Gareth will obviously go and see them); I want someone from Defra to go and see them when they visit; someone from education to go and visit them; transport when they visit, the Chancellor when he visits. One of the things we have to do is break down these silos (and this is not a government issue, the private sector have silos just the same) and ensure that business transcends all the departments of government. One of the ways you can do that is through the Business Council because it can be there as a place where people visit, people talk and people have influence. I do not want this just to be a UKTI Business Council love-in. It is and it will be, but we would miss a trick if we kept it there.

Q141 Miss Kirkbride: The proposed JETCO working group website, which is to be run and hosted by UKIBC, had not appeared as of yesterday. When will it happen?

Lord Jones of Birmingham: I will get back to you. That is the truth. I do not know. I will not pretend to know, but I will get back to you.

Q142 Chairman: Can I just be a little clear, because when I was in Hong Kong earlier this year, I was told how pleased UKTI was with the way the China Business Council was actually delivering UKTI services on the ground in places they could not necessarily reach.

Lord Jones of Birmingham: It is.

Q143 Chairman: Do you see that specific role, perhaps, emerging for the UK-India Business Council in the future, delivering services on the ground in places where you cannot actually, at present—

Lord Jones of Birmingham: Thank you, Chairman, for reminding me, because that is a very important part of going forward. We actually—subcontract is too pompous a word—ask them to deliver services for payment in China, which we do not do in India. Two reasons: one is that at this moment we do not think there is a need and, secondly, it is very new on the ground. So will that happen in the future? I would not count it out. Is it in my plans, as I speak, for the next 12 months? No.

Q144 Chairman: So you are quietly privatising UKTI?
Lord Jones of Birmingham: You might say that. I could not possibly comment.

Q145 Mr Binley: Alistair Darling went to India in January, you went in September. They must be highly flattered with all this treatment from very important people from the UK. Clearly, you picked up some stuff about our policy in relation to the way we are working with a country as important as India. How do you feed that back?
Lord Jones of Birmingham: To?

Q146 Mr Binley: To the policy-makers, because you tell us you are not.
Lord Jones of Birmingham: How do I do that?

Q147 Mr Binley: Yes.
Lord Jones of Birmingham: When I come back from a visit, and India is no different to anywhere else, there will be a formal report which will get circulated. You have reminded me, and you are right, that you should have a copy of that—and so you should. We will put that right.

Q148 Mr Binley: That was my next question.
Lord Jones of Birmingham: So you should. That formal report will, to a degree, knowing its circulation, probably be not as either critical or it might be sanitised in terms of ensuring it is not offensive. Then things for which "There is no easy way to say this but"—and this might not be about how Britain is dealing with India, this might be how India is dealing with Britain; it is a two-way street—we should not fall over ourselves and say: "India is fabulous and we're wrong"; there are loads of things India should be putting right, but, again, it does not pay to put that in a report which a newspaper will get. What is the point? It is important that we get them moving with us, not against us. That private sort of stuff I do. You may imagine, actually, Brian, I will get on the 'phone to certain ministers in both countries and say: "Look, don't shoot the messenger; I am merely telling you what I picked up. Can I just make it clear?" Sometimes officials in both countries find that a little different, shall we say, and welcome the change. As long as you are polite, as long as you are constructive and as long as you do it in private and do not embarrass, I see nothing wrong with it.

Q149 Mr Binley: Are you frustrated by this role, because here you were in the CBI—
Lord Jones of Birmingham: I love it, actually.

Q150 Mr Binley: Hang on, I have not asked the question yet.
Lord Jones of Birmingham: You asked me and I have just told you!

Q151 Mr Binley: In the CBI you made a lot of policy for a very important instrument in this country, and you are not doing it now. I am getting the impression that you are the Arthur Daley and Gareth here is the Dennis Waterman—the Minder. Every time you come up with policy, in comes old Gareth just to make the point that the minder is doing his job. Are you just Gordon Brown's icon in this respect? I am concerned about the lack of ability you have in an area which is very important to Britain, where I need businessmen to be having real input, and you are not.
Lord Jones of Birmingham: Firstly to say that the one thing Arthur Daley tried to sell was rubbish.

Q152 Mr Binley: No, he did not; he sold some good stuff as well.
Lord Jones of Birmingham: The one thing that I sell is, I think, the best country on earth and certainly one of the great, great business nations. I think the product is different. Secondly, I tend to think of myself, let alone what others think, as a tad more effective and better than Arthur Daley. From a point of view of: do I think I have a minder—I do not. (I do not think you have ever thought of yourself as that.) Thirdly, do I find that frustrating? No, I do not, really. You mentioned "Are you Gordon Brown's icon?" The one thing I do really applaud the Prime Minister for is that in June he really did decide that at delivery—not in Cabinet but at delivery, minister-of-state-level—there were four areas, health, foreign policy, defence and security, and business, where he was going to do it differently. For the first time ever they brought people in. at a mature age, having done something else with their lives, to that. That is different. It is going to get opponents; it is going to get people saying: "I don't like change. I worry about change". It is six months in and it seems to be working. Was it always going to be a complete breeze? No. We are all over 21 and we understood that, and every one of the four of us has had—

Q153 Chairman: Let us try and focus on India at this stage.
Lord Jones of Birmingham: I was going to say if you call "icon" as being Digby personally, individually, I disagree with you. If you mean by "icon" that I am part of a different way of delivering in certain key areas of this economy, then I am proud to be part of that. The Prime Minister did say to me that day: "You will have a problem sometimes and I will support you". And he has.

Q154 Chairman: We must get back to India.
Mr Thomas: With respect, I am being accused of being Dennis Waterman. Great actor as he is, I do think I should have a say. I agree with Digby, I think the first inspired decision that Gordon took was to

separate out the two parts of the trade minister's job. It has freed up me hugely to concentrate on the negotiations outside, and I genuinely think Digby is doing a fantastic job in the trade promotion side of things. We do talk. Our officials talk. I think we complement each other's roles. I do not agree with him about his views on sport but we work very well together in terms of the different parts of our job where they interact. I do not think it is a case of someone being somebody's minder, it absolutely is not; it is about two people, and indeed other parts of government, working closely together, and I think that is what has happened.

Mr Binley: Okay. Old men coming into politics from business is a very frustrating business, perhaps, when they see it on personal experience. Let me move on.

Chairman: You are very far from the first—very far!

Q155 Mr Binley: I do not know; we are pretty much the same actually. Let us move on. I want an update on the recent JETCO ministerial, because that is really rather important in relation to India. Sectorally, which areas saw the most progress and which remain blocked? Has there been any additional progress in the last few months?

Mr Thomas: The biggest blockage is in terms of our relationship with India. As I described in answer to Miss Kirkbride, it is around financial services (Digby has touched on the problems about ownership that there are); it is around retail; it is around legal services; it is also around intellectual property rights, and it is around government procurement. All of those are areas where we want to make far more substantial progress than we have been able to make up to now and where we are optimistic (I put it at that stage) that as a result of the EU-India discussions that have begun we may see substantial progress. That is certainly what the British business community is very keen to see as well. There have been three sets of negotiations, the last just before Christmas, and we are waiting to see India's offer and we are preparing our own offer. I cannot tell you when the next set of negotiations is going to be; I expect it to be soon but they have not been formally tabled.

Lord Jones of Birmingham: Can I just highlight three things? Interestingly, I was in the room when Patricia Hewitt had come on for JETCO, which was four years ago. It is a delight now to be part of it again in a different guise. It has got legs and it is working. As Gareth said, it is not working as quickly as we would like in one or two areas. One area I have in mind is that India is a huge manufacturer of generic pharmaceuticals and, of course, the temptation when you are a big manufacturer of generics is how do you get your hands on the IP to no longer be generic? The temptation of counterfeiting is an enormous issue. We do not suffer in Britain from that but, for instance, South Africa does on exports from India to South Africa of pharmaceuticals. They are up against your GSKs your AstraZenecas and your British companies. It is in another location but it is an Indian issue. It is being able to do that within JETCO to try and drive that forward, which has a huge impact on DFID's work in Africa, although it is actually an Indian issue. I got on the case of that at the CBI and I have stayed on that. Secondly is the chestnut we have already talked about, financial services. In this job, both our jobs, you have to repeat it again and again and again and again, because the day you do not repeat it they think you are off the case. I make no apology for every time we have a junket I try and get that working. Thirdly, and it is something I would really welcome this Committee's help on going forward, is that, rightly, your Frances, your Americas and your Japans, but also us and Germany, are always thought of as dealing and negotiating with China and India on protectionism—both ways. The way that India behaves with some countries which are lower down the wealth league—some of the least developed countries (I have in mind Bangladesh)—and the way that China behaves with some countries on trade much lower down the league (I have in mind Vietnam) is, frankly, capable of serious improvement. (I am learning, because those are not words I would have used two years ago.) If we can all use JETCO and your influence and pressure in other things you do to get them to step up to the plate on responsibilities lower down the league, and not always let us all concentrate—because they love to—on the ones in the G8 then we will have done the poorest people on this planet a huge turn for good. India, China and Brazil have responsibilities to the poor of this world, like we do, but they tend to always look to us for the row and we should actually be getting them also to just behave a little more magnanimously (perhaps that is too pompous a word) at the bottom.

Q156 Chairman: We have got a maximum of 15 minutes and two big areas of questioning left.

Lord Jones of Birmingham: By the way: is that policy? Yes, it is.

Q157 Mr Binley: I just want to move on to the Prime Minister's visit, which is due to take place. How is the planning progressing and how will it impact upon trade? I assume you will have companies in the vanguard. How is all of that working?

Lord Jones of Birmingham: From the point of view of specific dates upcoming, security does demand (and you will understand this) I am not going to say in this room what is going to happen.

Q158 Mr Binley: Absolutely.

Lord Jones of Birmingham: Please do not think I am obfuscating, it is just obviously the right thing to do. Secondly, his exact itinerary when he is there I truly do not know; that is the truth. What I do know is I am taking 70 businessmen and women on one delegation to India and then joining in with China; he is taking 30 direct to China, and then we are all coming back to India for the second time. So we are tooled up with about 100 businessmen and women coming with the Prime Minister's delegation; some coming with me earlier but then staying on, and we have got John Hutton there, Secretary of State for

BERR, myself and, obviously, the Number Ten crew as well. It is staggeringly important. It is shaping up very, very well. It is important, for instance, in Shanghai. In two years' time we have got World Expo happening in Shanghai, 2010, and we have got this prime site on the river where, if you walk down the boardwalk down the river, if you are on the river, or if you are on the other side, you are going to see the Union Jack as one of the first things you will see in Expo. The choice of location and the negotiation was pre-me; other clever people deserve the credit for this, but it is a fabulous thing. To use that and the Prime Minister's visit as a highlight of saying: "Look where we are—we matter" in Shanghai is going to be very, very important.

Q159 Mr Binley: I understand that. Do we really see this as a real opportunity to further the breaking down of barriers in finance, law and so forth?
Lord Jones of Birmingham: Yes, you just keep going.

Q160 Mr Binley: Do you really expect something to come out of this—normally big announcements—on that front that is going to be helpful to the British service sector, particularly?
Mr Thomas: On the EU-India Regional Trade Agreement, as I said in answer to previous questions, I am optimistic (I have seen nothing to dent that optimism) that we can see significant services liberalisation. Equally, we are at the beginning of a set of negotiations and we have got to see how things transpire. We have not yet seen the Indian offer; we have not yet put our offer on the table fully either, so we are about to get into the detail of those discussions and we will have to see how things pan out. It is something that we are—and I, personally, am—very focused on continuing to watch, because it matters so much for both British business and, also, it matters, as Digby quite rightly described, for the development of India and the needs of India's poor.
Lord Jones of Birmingham: In your report in 2006 you said: "We want to see far more ministers travelling", and India has had a lot of ministers travelling in 2007 and others, not just ministers, but the Mayor of London went, the Lord Mayor went. For all that we do there, the knock-on effect and the gear-change of a Prime Minister visit you cannot underestimate. I noticed that in the CBI and I notice it now.
Chairman: I think Gareth's answer to this last question brings in Mike Weir quite neatly.

Q161 Mr Weir: You mentioned the EU-India bilateral agreement. Can you tell us what the main sticking points are at the moment, and is it likely there is going to be a deal this coming year?
Mr Thomas: To describe the main sticking points is, forgive me, not the appropriate terminology at this stage. We are very much at the beginning of a set of negotiations. As I said, we have not seen exactly what the Indians want to put on the table in terms of what they are willing to do in terms of market opening or what they are definitely going to want in terms of the EU market opening to them. The Indians have said that they want an ambitious deal and that they want it done by the end of the year; we very much want an ambitious deal and we would, ideally, like it done by the end of the year too, but if it requires a little bit more time to get that ambitious deal, to get that extensive services liberalisation then we should not, we believe, lock ourselves into the end of the year as the critical thing above the quality of what actually gets negotiated.

Q162 Mr Weir: Given, as you say, the early stage, what is being negotiated at the moment? What do you hope are the areas that will lead to fruitful negotiation in the course of the year?
Mr Thomas: The area that we, particularly, as the UK, want to see progress on is in financial services. There is a huge appetite from the British financial services industry to get better access into India's financial markets. In terms of retail, again, there is an appetite from the British retail industry to get better opportunities to set up in India. Legal services—there is a considerable amount of expertise that British legal businesses could offer into India, and we want to see the Indian legal monopoly changed and altered. On intellectual property, Digby talked specifically about the issues around counterfeiting and medicines. We know that counterfeiting is a significant issue in terms of, for example, Scottish Whisky, and we want to see the Indian Government making more progress in tackling issues and problems in that area. Government procurement. At the moment there are not significant opportunities for British businesses in terms of helping provide services to the Indian Government because of the restrictions that are there. We want to see progress made in opening up those areas too. There are a whole series of standards related issues where we need to see some progress too. At the moment, we are optimistic that we can make progress in those areas, because, as I say, we are at the early stage of these discussions.

Q163 Mr Weir: Where do you anticipate that India's main interest in this lies? What do you see them wanting from the UK? Given that there may be an interest in agriculture, for example, is a lot dependent on a deal with the EU as well?
Mr Thomas: On agriculture, the EU does not, as a general rule, export the sorts of agricultural goods that would be directly competing with what India produces, like tea, for example, which is a big export from India; there is not a huge tea industry in the EU. I think what the Indians want, too, are opportunities for their legal businesses to trade in the EU; they want opportunities for their telecoms industry, particularly more opportunities for their software industries to trade into the EU, and I suspect it is going to be more challenging for other countries within the European Union than it is for the UK, because we have very open markets in comparison to other players within the European Union.

Q164 Mr Weir: Do you think from the UK's point of view a successful Doha deal would be more advantageous or a deal between India and the EU?
Mr Thomas: I do not think they are mutually exclusive. We want both. As I said, I am optimistic that both can be secured, albeit the first has taken longer than all of us would have liked to get to. I still think there is a very good chance that we will get a deal.

Q165 Mr Weir: What will UKTI be doing to ensure UK companies benefit fully from opportunities arising from any trade agreement that is reached?
Lord Jones of Birmingham: The first thing we have got to do is build capacity. You have to make sure that companies can take advantage in both ways; if the deal means that we give greater access here, which is pretty difficult because we give access to virtually anything, then let us get, especially smaller businesses, linking in with Indian investors here. Secondly (and this is a very, very important part of what we do), use UK as a global platform for what you are going to do anywhere else. If the opening up of the European Union to India (I have France in mind, particularly, but also Germany and Spain) means that Indian companies will for the first time be trading substantially there and investing there, why should not a global company base itself in London, or base itself in Birmingham, Manchester, Leeds, Glasgow, Belfast or Cardiff, and then go and cluster around those global companies basing themselves for the first time in your Frances and your Germanys? So see it in the round as a global economy and not as a specific bilateral, and build the capacity to give companies the confidence, the knowledge and the understanding that the UK Government is behind what they are doing, which is incredibly important, and then, secondly, information. So once they have actually got the confidence and the ability and the people and they understand it, then the constant drip of information saying: "This is what is happening. This is why it is happening. This is what you should be doing".
Mr Thomas: At the risk of pandering to Mr Binley's stereotype of the two of us, one of the things we are doing at official level and through some of the discussions that I have had is trying to keep British business updated on how the EU-India discussions are going. I have met with delegations from the British Bankers' Association, for example, and there are regular discussions with the CBI, etc, about what we are doing about our negotiating position and, also, what the negotiating position of other Member States is, in terms of trying to influence what Peter Mandelson does and says in those negotiations.
Lord Jones of Birmingham: At least he did not say: "What Digby meant to say was . . . "!

Q166 Chairman: I think it was "What Digby forgot to say was . . . "
Lord Jones of Birmingham: The third point is the other way, which is that it will be a two-way deal. There will be loads of opportunities in India where we will be able, for the first time, to get in there big time. The big companies will do that anywhere, they do not need us, but the smaller companies need us to build the capacity and give the information.
Chairman: I am very conscious of the time constraints we are all under. There is one other big area of questioning I want to cover before we draw the session to a conclusion.

Q167 Anne Moffat: I was glad to hear, Digby, that you spoke about cross-department working, because we are concerned about education and visas and the discrepancy between education and qualifications, and how that affects liberalising services. I think there is also the work experience issue, and that is different in Scotland than it is for England and Wales. Indian graduates can only stay one year in England and Wales but they can stay two years in Scotland. I know that is a result of devolution but I do not suspect the Indians understand that. The last thing is the rules changes for immigration and the visa changes. How is that going to affect our relationship with India, and how do we get round the trade and investment issues speaking to other departments about these sorts of things?
Lord Jones of Birmingham: Can I just say at the start of this, we have got the Business Express Programme in place and if a company is part of that and wanting a visa granted for an employee coming this way, they are turning those round in 24 hours. So the overall picture is that for genuine commercial intercourse the visa programme is working very well. The issues that you rightly highlight and the problems that you have tend to be not a business issue, although they do create the impression that it is not very good anywhere else as well. If you are in the Business Express Programme you have not really got a problem in India coming this way. It is a perceived problem, I accept.
Anne Moffat: I think there is an immigration minister going to India quite soon to explain what the position is.

Q168 Chairman: I would like to flesh up a couple of the issues just a tad more. Have I got this right: is there an issue about the requirement in that Business Express Programme or the business visa that someone has worked for the company for six months before they can actually come to the UK?
Lord Jones of Birmingham: Yes.

Q169 Chairman: That is a cause of some concern in the IT industry because a lot of them have not worked for six months; it is a fast-moving, fast-changing industry.
Lord Jones of Birmingham: I accept that.

Q170 Chairman: So it is something that is being looked at?
Lord Jones of Birmingham: Well, it is being looked at. Do not take "it is being looked at" as a promise anything is going to change. The other point of it, which is very relevant to India more than other economies, is the high-skilled migrant programme, because we have not got enough skilled people in this

country—we all know that. Ratan Tata tells me he has not enough skilled people in India, but we actually, clearly, want some of that skill out of Bangalore and Chennai into here. So that programme seems to be working very well. India will benefit from one thing that is being brought in. You know that we are moving to this PBS (the Points Based System) and the whole issue of speaking English, on points. Of course, India benefits more than your Japans and your Chinas in that regard because, of course, (I will not say every Indian speaks English—they do not) more of a percentage, for a developing economy, speak English than most other nations on earth, as a percentage of the population. So, in that regard, the Points Based System, which is very important but is going to have its problems, India is probably going to benefit.

Q171 Chairman: I think Anne asked the question but, again, I did not hear the answer—perhaps I was not concentrating hard enough. Mutual recognition of qualifications. The Indians are concerned that we are not always quick to recognise their qualifications. That is another barrier to effective co-operation.
Mr Thomas: That is an issue for us as well, and vice versa. That is something that we would certainly expect to be part of the negotiations.
Lord Jones of Birmingham: I would just say "Dear Pot, yours Kettle".

Q172 Chairman: That does not make the situation any better, if one wants a trading environment.
Lord Jones of Birmingham: It does not.
Mr Thomas: That is why the EU-India—again, at the risk of playing Mr Binley's stereotype—is so important, because there are, potentially, opportunities for us to get some of our qualifications recognised within India, just as much as they have issues they want sorted out within the European Union.

Q173 Anne Moffat: Do you feed all this into the JETCO education working group?
Mr Thomas: We feed it, in particular, into the Commission as they refine their negotiating position.

Q174 Chairman: There is not a JETCO group on education policy, is there? Should there not be one because one of the big opportunities is still for higher education, particularly.
Lord Jones of Birmingham: When I arrived at UKTI, one thing I asked for was a paper on what we do on selling as a basis of business academia around the world, because we are damned good at it. It is not just at universities which we are, it is all the training modules, it is the professional qualifications—whether it is architects or lawyers or accountants or bankers—and we are very, very good at it. We do not actually recognise it in our homes; we do not recognise it as being what it is, which is a globally excellent business sector. That is a work in progress for us. I have had one report in, and we are moving it forward. Part of that is to say to JETCO (and it is not just India, it is everywhere else): "Hey, let's make academia one of those areas of expertise". I repeat, of course it is universities; universities have to be the brand leader for that, for obvious reasons, but there is an awful lot of work in training. I went to Puna in September and I went to a British training company run by a fabulous woman who is Indian but born in Britain and has gone "home". She is actually running a training company for the auto sector, where Puna is becoming the Detroit of India, and she is training Indians into Chevrolet, JCB, Ford and BMW in Puna, and it is a British training company. It is absolutely fabulous. That is as important to me as what I would call a centre of excellence that we can capitalise on for the UKTI brand as, I do not know, aerospace or pharmaceuticals. Does it get that recognition, at the moment, both in JETCO and also in my organisation? No, it does not. Will it in the future? You bet it will.
Mr Thomas: Chairman, I am very happy to come back and answer any more of your questions but I am going to need to pop out for a second if you have a lot more.

Q175 Chairman: No, I have not. We will stop in 30 seconds. Let me just wind things up. I am very grateful to you. We have over-run the time we wanted to because there is so much to talk about, and Digby Jones is in one sense a politician—he can certainly talk for Britain! It is a compliment, not an insult. I certainly misunderstood the relationship. That is one of the reasons I have not had a reply to a letter I wrote to you two months ago because I realise now I should have written to Gareth Thomas and not to Digby Jones. I would not mind a reply to the letter. All I can say is, when I form my GOAT (my Government Of All the Talents) I do not think Digby Jones will be available because he will have gone back to the private sector by then, but I expect Gareth Thomas will still be hacking our humble political trade, and Gareth you will be very welcome in my Government Of All the Talents, and on promotion, I guarantee—notwithstanding your earlier answer.
Mr Thomas: You can ask!

Q176 Chairman: Thank you very much indeed.
Lord Jones of Birmingham: Thank you.

Written evidence

Memorandum submitted by ActionAid International

1. Introduction

1.1 ActionAid[1] welcomes the opportunity to submit evidence to the House of Commons Business, Enterprise and Regulatory Reform Committee inquiries on:

— Recent developments in trade

— Trade and Investment Opportunities with India

1.2 There is clear overlap between the two inquiries. Consequently, this evidence combines the two issues into one paper.

2. Recent Developments in Trade

2.1 *The machinery of recent government changes*

2.1.1 ActionAid welcomed the re-organisation in UK government that sought to place development at the heart of trade policy. It is perhaps too early to cast an overall judgement on the merits of the move, given that it has only been in place for about two months.

2.1.2 That said, the negotiations on EPAs and the recent 2007 deadline could be seen as a barometer of the development credentials of the new government changes. The UK has placed great store on its progressive position on EPAs and it is informative to see how the government has reacted to the latest developments. As of 14 December 2007, some 20 ACP countries have initialled interim (goods only) EPAs.

2.1.3 The UK Government's position on EPAs is centred around seven principles (unless specified otherwise, these date from 2005):[2]

1. ACP countries should not be forced to accept sweeping liberalisation commitments;
2. ACP countries should be provided with effective safeguards to protect against subsidised EU imports;
3. The EU should provide complete duty and quota-free market access to the ACP, with no strings attached;
4. The EU should make rules of origin more development friendly under EPAs;
5. Negotiations on trade-related issues should only take place if they were ACP-driven;
6. Alternatives to EPAs should be made available;
7. EPAs should promote the ACP's regional integration (UK Government position Dec 2007).

2.1.4 ActionAid believes that the UK Government, together with other like-minded member states, has failed to rein in the ambitions of the European Commission (EC) on just about all the criteria.

Sweeping liberalisation commitments

2.1.5 In 2005, the UK government committed itself to the following: *"EPAs must ensure that ACP regional groups have maximum flexibility over their own market opening. The EU should therefore offer all ACP regional groups a period of 20 years or more for market opening on an unconditional basis. Each regional group should be offered this full period".*

2.1.6 Yet ACP countries have already accepted sweeping market opening commitments by agreeing to open up 80% or more of their markets; and for most countries, the transition period will not extend beyond 15 years. For some the extent of liberalisation is considerably higher (Botswana, Lesotho and Swaziland 86%, Seychelles 97%, Mauritius 95.6%, Papua New Guinea 88%). Most of this liberalisation is front loaded (ie it will occur at the start of the liberalisation period). For example, for Burundi and Rwanda (part of the East Africa Community), liberalisation will happen in the initial stages and be almost immediate because currently only 22% of Rwanda's and 0% of Burundi's imports have a zero tariff.

---

[1] ActionAid is an international anti-poverty agency working on over 40 countries, taking sides with poor people to end poverty and injustice together.

[2] Much of this section is taken from the December 2007 publication *Economic Partnership Agreements (EPAs): Assessing recent developments against the UK government's 2005 position* written by Traidcraft, Tearfund, Oxfam and Christian Aid. ActionAid thanks the authors of this report for permission to use it here.

Safeguards

2.1.7 ActionAid believes that the safeguards will prove inadequate. They are largely based on the existing provisions at the WTO which have proven largely ineffective because they are procedurally cumbersome, of limited duration and do not contain the type of flexibilities that ACP countries are demanding, for example in the WTO negotiations. The infant industry safeguard has been described by *"A WTO legal expert . . . as no more than 'normal safeguards by another name'"*[3] and will in all probability fall foul of similar limitations (ie of very limited duration).

2.1.8 The European Commission's own impact assessment in advance of any EU1ACP agreement in West Africa confirms the potential impact of liberalisation: surges of imports could rise by 16% for onions, 15% for potatoes, 17% for beef and 18% for poultry.[4]

Conditionalities have been applied

2.1.9 In a number of the interim agreements, the EC has insisted on commitments for further negotiations on new issues, including investment, competition and government procurement. This is despite calls by some of the EPA regions that they do not want to negotiate them (see below). In addition, one of the reasons why Namibia initially failed to sign the SADC interim agreement was *"the EC's demand for MFN treatment for the EU in all future free trade agreement between SADC EPA countries and any third party[ies]"*.[5] If for example the SADC EPA countries negotiated to deal with say China, these same countries must provide the same preferential market access to the EU.

DFQF, Rules of Origin and other issues

2.1.10 Duty Free Quota Free market access will be limited for a number of reasons: the failure of the EU to substantially improve rules or origin; the retention of transition periods on two key export products (sugar and rice); standards that limit ACP access to EU markets; and the continued use of domestic agricultural subsidies.

Trade-related issues

2.1.11 The UK government's 2005 position paper is very clear on this point: *"Investment, competition and government procurement should be removed from the negotiations, unless specifically requested by an ACP regional negotiating group."*

2.1.12 Despite requests from ACP countries to exclude certain new issues—the Africa Union explicitly said in 2006 that "these issues [investment, competition and government procurement] *be kept outside the ambit of economic Partnership Agreement'*[6]—commitments for future negotiations on binding investment agreements are included in the interim agreements (for example in the SADC agreement).

Alternatives

2.1.13 No alternatives have been offered to the ACP despite the fact that legal analysis shows that feasible alternatives are available. Nigeria has asked for admission into GSP Plus from January 2008, which is both technically and legally feasible. DFID has recently indicated that it would be willing to support Nigeria's request.

Regional integration

2.1.14 The UK government has stressed that: *"In the long term, the biggest benefits for countries will be from the extra regional integration that flows from EPAs"*.[7] This is being severely undermined by the fact that interim agreements are now being signed by individual ACP states.

2.1.15 In light of this situation, the UK government should take action immediately to

- demonstrate its commitment to its previous positions by contesting texts that contradict that statement;
- support calls from ACP countries for more time to negotiate pro-development deals, and for feasible alternatives to be considered;

[3] Ibid.
[4] PricewaterhouseCoopers, 2005. SIA of the EU-ACP Partnership Agreements—West Africa Agro-Industry.
[5] Ministry of Trade and Industry, 2007. Outcome of the Final Round of the SDAC-EPA negotiations. Press Statement, 5 December.
[6] AU, 2006. Nairobi Declaration on Economic Partnership Agreement. Africa Union.
[7] Gareth Thomas, European Standing Committee Debate on Economic Partnership Agreements, 3 December 2007.

— support ACP countries that are demanding a renegotiation of signed or existing deals;

— ensure that any further negotiations on areas such as investment and government procurement should only take place if requested by the ACP; and

— ensure an effective and strong EPA monitoring and review mechanism.

2.2 *The EU's trade strategy*

2.2.1 On taking up the post as Commissioner for trade and competitiveness, Peter Mandelson committed himself to "make Europe's trade policies work for the poor"[8] and put "trade at the service of development".[9] However in stark contrast, ActionAid believes that the EU's new trade strategy is merely a manifesto for business.

2.2.2 The EC's new vision is contained in the 2006 communication *Global Europe: competing in the world* (and supporting documents) which prioritises the rapid conclusion of a number of new free trade agreements (FTAs) with developing countries (including Economic Partnership Agreements).[10] What is alarming is not just the content (see below) but also the nakedly aggressive language; this used to be characteristic of internal Commission memos but has now been laid bare for all to read.

2.2.3 It's clear that, in the Commission's view, the EU's trade agenda has not been achieved through multilateral channels, particularly the WTO. The choice of FTAs represents the EU picking off key markets and targeting them for intensive liberalisation. Central to this new policy setting are agreements that will go much further than multilateral talks (WTO +)—tariff liberalisation is deeper and quicker; issues that have been rejected at the WTO are being pushed aggressively by the EU; and stronger rules and procedural requirements are being placed on intellectual property, food standards and other non-tariff measures.

2.2.4 We believe that the communication shows that the European Commission continues to pay scant attention to the impact of its trade policies on poor people, development and the environment, yet prioritises the interests of business. For indication, the *Global Europe* communication mentions "EU companies" at least 20 times. Yet in contrast, poverty is referred to, in passing, just twice whilst the critical issue of the interaction between trade and climate change is marginalised as requiring further attention.

2.2.5 The section below provides some background to Global Europe and ActionAid's concerns.

"New trade issues"

2.2.6 The EU wants to introduce and enforce "new trade issues" into FTAs, some of which have already been rejected at the WTO. In *Global Europe,* the EU lists intellectual property, services, investment, public procurement and competition as *"areas of economic importance to us"*.[11]

2.2.7 The EU does not try and hide its frustration that many of its offensive interests have found little if any support in multilateral talks. Many of these controversial issues—for example rules on investment, competition and government procurement—have already been rejected by developing country members at the WTO because they were anti-development. But the EU plans to introduce them into its new FTAs regardless. This is despite the fact that ASEAN and India have already indicated that they do not want to negotiate market access in government procurement for example.

Market potential and prospects for economic growth

2.2.8 Global Europe clearly identifies the need to forge strategic links (ie through FTAs) with partners in emerging markets, such as India, Mercosur, Russia, Gulf Co-operation Council, South Korea and ASEAN. China is also mentioned for special consideration. In part this is driven by geopolitics—the fact that the US has, or is progressing FTAs with these countries, is an important consideration for the EU: *"We should also take account of our potential partners' negotiations with EU competitors."*[12]

2.2.9 The communication confirms the EUs commitment to reduce tariffs with negotiation partners—despite some recognition that this can cause problems including revenue and employment losses and bankruptcies.

[8] Title of Guardian comment piece 1 December 2004 at http://ec.europa.eu/commission_barroso/mandelson/sp_dev_en.htm

[9] Lecture by Peter Mandelson at the London School of Economics, 4 February 2005. http://ec.europa.eu/commission_barroso/mandelson/speeches_articles/sppm013_en.htm

[10] European Commission, 2006a. Global Europe—Competing in the World. October. trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130376.pdf

[11] European Commission, 2006a. *Op cit.*

[12] European Commission, 2006a. *Op cit.*

2.2.10 In past FTAs (ie with Chile, Mexico, South Africa and in EPAs), the EU has driven a very hard bargain on market opening with negotiating partners not-withstanding that fact that EU companies are far more competitive and the EU continues to distort agricultural markets through the use of subsidies.

2.2.11 In such a climate, the level of market protection that should be afforded to negotiating partners in any FTAs should be high. However, in some of the new FTAs, the EU is seeking symmetry and reciprocity in market opening (ie 90% + on either side over a transition period of about seven years), despite the massive differences in development between the partners. Where it has allowed asymmetry, for example in EPAs, the initial requests from ACP countries to exclude a significant number of sensitive sectors have been ignored.

2.2.12 The EU may also try and limit the application of other forms of market protection that could be used by negotiating partners—ie through safeguards for example (often called trade defence instruments). It has made its intentions clear: to counter the *"abusive and/or WTO-incompatible use of trade defence instruments by third parties"*.[13] The annex paper to *Global Europe* (and the EU Green Paper on Trade Defence Instruments) suggests that the EU may include procedures which will make TDIs more difficult for negotiating partners to use: *"Current Trade Defence Instruments contain a degree of flexibility but might need to be reviewed in light of the new challenges posed by globalisation"*.[14,15] *In any event the EU has confirmed that TDIs in any new FTAs will go beyond WTO commitments.*[16]

2.2.13 And it isn't as if the European Commission is not aware of the consequences of market opening—it just chooses to ignore the evidence contained in its own SIAs. Take the SIA with countries in the EU1Mediterranean FTA. In an assessment of the liberalisation of industrial products, the negative implications heavily outweigh positive ones. There were particular significant negative impacts for employment/unemployment. In Algeria, Morocco, Egypt and Tunisia, employment in the total workforce is predicted to fall by 8%. The sectors experiencing the biggest short-term employment losses include food and beverages, textiles and clothing, motor vehicle production, chemicals, iron and steel and wood products.[17] Government revenues are also predicted to fall heavily, particularly in Algeria, Lebanon and Palestine but also in Tunisia and Morocco; *"if this [loss] is not mitigated by levying the same amount of income by other means, adverse impacts on health, education and social support programmes can be expected."*[18]

Non-Tariff measures

2.2.14 The EU is also targeting non-tariff measures—ie other barriers to trade in what it calls behind-the-border regulation.

2.2.15 Important in respect of non-tariff measures is the proposal that would allow interested stakeholders (ie EU companies) the right of prior consultation on any measure that the negotiating partner might want to introduce and an enforcement procedure along the lines of the WTO's dispute settlement mechanism *"and make them accessible to industry" (a development that departs from the WTO state-to-state procedures)*.[19]

Ensuring access to resources

2.2.16 No doubt as a response to lobbying from European business, the EU unashamedly targets access to natural resources as a key priority: *"Measures taken by some of our biggest trading partners to restrict access to their supplies of these inputs are causing some EU industries major problems."*[20]

2.2.17 The language here is almost neo-colonialist, pandering to the import interests of EU transnational corporations. Those sectors mentioned include agricultural materials, energy, metals, minerals, scrap metal, hides and skins.[21,22] The key issue here are export taxes and other export restrictions. However, these are often in place to safeguard natural resources for environmental and developmental reasons.

---

[13] European Commission, 2006b. Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters. http://trade.ec.europa.eu/doclib/docs/2007/april/tradoc_134507.pdf

[14] Annex to the Global Europe communication (A Commission Staff Working Document) on page 23 at http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf

[15] European Commission, 2006c. Europe's TDIs in a Changing World Economy. http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_131986.pdf

[16] Draft negotiating mandates for new FTAs with India, ASEAN, South Korea, Central America and the Andean Community.

[17] Sustainability Impacts of the Euro-Mediterranean Free Trade Area. http://www.sia-trade.org/emfta/en/Reports/Phase2FinalreportMar06.pdf pages 24, 31 and 32.

[18] Ibid, pages 18, 25, 31 and 32.

[19] This is not explicit in the Global Europe document but is laid bare in the supporting Annex to the communication (A Commission Staff Working Document) on page 17 at http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf

[20] European Commission, 2006a. Op cit.

[21] See Annex to global Europe at http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf

[22] European Commission, 2006a. Op cit.

2.2.18 ActionAid believes that *Global Europe* is in stark comparison to the stated aim of the UK Government to put development at the heart of trade policy. UK government should:

— Provide a political response, together with other member states, to the EC's business-led trade policy.

3. Trade and Investment Opportunities With India

3.1 ActionAid's discussions with DFID officials have led us to believe that the UK government is not prioritising the development component of the EU-India FTA. If true, we believe this would be of great concern.

3.2 ActionAid would like to draw to the BERR Committee's attention a recent Indian report by the National Commission for Enterprises in the Unorganised Sector (annexed to this document). This study was commissioned by the Government of India. It comes forward with very worrying conclusions: *"Contrary to the trend in the number of people below the official poverty line, the number of people in this* [poor and vulnerable] *segment has increased over the years."* The statistics are equally worrying: *"in 2004–05 77% people, totalling 836 million, had an income less than twice the official poverty line or below Rs. 20 per day per capita* [ie $0.50 a day]". These figures are in line with a recent analysis by the Asian Development Bank which found that *"the number of dollar-a-day poor in India is closer to 800m than the current estimate of 400m."*[23]

3.3 As our analysis on *Global Europe* reveals, India is being targeted by the European Commission. But we believe that rapid and deep liberalisation of trade and investment in India will worsen rather than improve the position of the poor and vulnerable in the country.

3.4 ActionAid believes the UK Government, in keeping with its position on EPAs, should adopt the following policies, as a minimum:

— India should not be forced to accept sweeping liberalisation commitments (that liberalisation should be consistent with the level of development of the negotiating partner);

— India should be provided with effective safeguards and other defence mechanisms to protect against (subsidised) EU imports;

— The EU should make rules of origin more development friendly in any EU-India FTA;

— Negotiations on trade-related issues should only take place if requested by India;

— Additional resources should be available to support any regional integration within South Asia.

3.5 The negotiations on the EU-India FTA are in their initial phases but at this early stage, we would want to highlight three important issues.

Sweeping liberalisation commitments

3.6 India is being asked to reduce tariffs on 90% of its trade within seven years. India had requested an asymmetrical approach—that if India committed to 90%, the EU should do more, ie 95%. This was rejected by the European Commission who want a straight symmetrical and reciprocal deal with India. This could be disastrous for development. India is right to be wary of quick and deep market access opening. The European Commission's assessment of growth in goods trade between the FTA parties is heavily skewed in favour of the EU. EU trade would grow by 56.8% with India. Yet in contrast, Indian trade to the EU would only grow by 18.7%.[24]

Adequate safeguards and protection of sensitive sectors

3.7 The EU will continue to use large amounts of domestic agricultural subsidies (and possibly some export refunds). As a result, India must be afforded adequate safeguards and protection of sensitive sectors. Ever indication points to safeguards being similar to those in the WTO (see concerns above) and only covering agriculture. Given the negative impact that industrial imports could have on sensitive industries and in the unorganised sectors, flexible general safeguards (including infant industry safeguards) should be available which are consistent with the G33 demands in the WTO negotiations.

[23] Keidel, A., 2007. The limits of a smaller, poorer China. Financial Times, 13 November 2007.

[24] Agence Europe, 2007. Council green light to launch of negotiations for bilateral free trade agreements with ASEAN, South Korea and India. 23 April.

New (trade-related issues) issues

3.8 ActionAid remains concerned that many trade-related issues—investment, competition, government procurement etc—will not bring benefits to poor people, particularly if applied on the principle of non-discrimination.

3.9 India has already indicated its reluctance to negotiate on government procurement which would include market access. But this is a key offensive area for the EU. But the development implications are great. Procurement policies may be part of an industrial policy or an instrument to attain social objectives (eg, support for small and medium sized enterprises, minority-owned businesses, disadvantaged ethnic groups, or certain geographic regions). In addition, a government's ability to procure from firms of its own choice can be an instrument for macroeconomic management. UNCTAD India is conducting a study as to the merits or otherwise of including government procurement in the EU-India FTA. The preliminary conclusions find that there would be a "net welfare loss" to India.

December 2007

Memorandum submitted by Arrk Group

In 2006 members of the Committee visited our offices in Navi Mumbai, India. Prior to that in 2004 we were visited by Nigel Griffiths MP in his capacity as Minister for Small Businesses.

We are a small UK IT services business with a wholly-owned subsidiary in India. We employ about 150 people, 25–30 of whom are UK nationals based out of our office in Mosside, Manchester and about 120 are based out of our office in Navi Mumbai, India.

We are a small UK business struggling to compete against large Indian and US IT competitors. We pay taxes in the UK. We employ UK nationals as well as Indians. We provide services to UK business to help them compete on the global markets. We are not a traditional "offshore" IT company. We have a "hybrid" model where we employ a mix of UK national and Indians and provide customers with the 'best of both worlds' from both UK and Indian IT industries. We operate our business as a single organisation, single team located in two countries. We are pioneers in this having been operating like this for over five years now. You could call us one of a new breed of "Small-Medium Sized Globally Integrated Enterprises".

When we met the Committee members in India in 2006 we discussed with them the sorts of problems we were facing with visas and work-permit processing. We discussed some of the problems we had faced over the previous few years and I explained that they had caused us great difficulty and seriously disadvantaged us against our large-scale Indian competitors. We also discussed the matter of caste discrimination in India and the need for UK companies operating in India to be sensitised to these issues and their attendant human rights implications.

It would seem that despite the recommendations that the Committee made to the Government regarding visa processing for IT workers—and the assurance that the Government gave you—things have now become substantially worse. My team and I are "pulling our hair out" over the fact that it now seems that we will have to wait on average 18 days to get a visa in India for employees travelling to the UK to undertake assignments requiring work-permits—despite us being members of the British Deputy High Commission "Business Express Programme" (BEP). I must say that over the past five or six years the British Deputy High Commission in Mumbai have been very helpful and that until this unfortunate incident the BEP has worked{extremely well.

In a business like ours the ability to react quickly to a customer's demands and to deliver solutions in short time scales is of paramount importance. We very often have to move people around the world at very short notice. This recent policy change is going to cause us a massive issue and may well result in project failures, a loss of business and subsequent inevitable loss of jobs amongst our UK nationals in Manchester. I cannot over-emphasise the seriousness of this situation. The Government are clearly shooting themselves (and I have to say small British businesses) in the foot here. These actions are in stark contrast to the response given by the Government to your Report only seven months ago (not printed here);

I would be very grateful if you could assist us in taking this matter up with the Government. Nigel Griffiths has kindly suggested that I write to Tony Lloyd MP and Gerald Kaufman MP and request that they in turn write to Alistair Darling MP at the DTI and John Reid MP at the Home Office and I will be doing this tomorrow. However, the fact that the Government has flown in the face of your advice seems to me to be something that perhaps you are better placed to raise with them than I.

If you can spare the time to follow up with the Government ministers concerned and would like some further infomation please do not hesitate to contact me.

30 May 2007

Memorandum submitted by Aviva

Background To AVIVA

1. Aviva is the world's fifth largest insurance group and is the leading provider of life and pensions to Europe with substantial positions in other markets around the world. In the UK, we sell our products through the Norwich Union brand.

2. Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide total sales of £41.5 billion and assets under management of £364 billion at 31 December 2006.

3. As highlighted in our submission to the initial inquiry, Aviva's presence in India has two components: A self-sustaining, high-quality, low-cost operation in Asia providing operational support to the Aviva group, called Aviva Global Services; A joint venture in an Indian Life Insurance company, trading under the Aviva name.

4. As we move through 2007, our operations in India and Sri Lanka are a key component of Aviva's business model. Aviva Global Services has a presence in India across Delhi, Pune, Bangalore, Chennai and Colombo in Sri Lanka. It will employ a total of about 7,800 people by 2008.

5. In addition to the work we do on operational processes in India and Sri Lanka, we also outsource some of our IT capability to two Indian companies, Wipro and TCS, who carry out this work in both the UK and India. This capability is the equivalent of about 2,000 people.

Foreign Direct Investment

7. In June 2006, the Committee (paragraph 90) called on the Government to urge the Indian Government to completely open up its financial services market to foreign direct investment. We continue to support the Committee's recommendation.

8. As highlighted in paragraph 3, Aviva plc has a 26% stake, the maximum permitted under current Indian law, in an Indian life insurance joint venture with one of India's oldest and largest groups of companies, Dabur. We are keen to increase the investment in the joint venture.

9. In January this year, the Indian Finance Minister P Chidambaram indicated to the Chancellor that the Indian Government would soon extend the foreign direct investment limit to 49%. However, news coverage has since suggested that the initiative remains a topic of discord within the governing coalition. As a result the Bill has yet to be introduced to the Indian Parliament.

10. We ask the Committee to again call on the Government to urge the Indian Government to allow greater foreign direct investment in India's financial services market.

22 May 2007

Memorandum submitted by the British Chambers of Commerce

"INDIA: ONE YEAR ON—DEVELOPMENTS SINCE THE COMMITTEE'S 2006 REPORT"

1. The British Chamber of Commerce acknowledges that there have been considerable developments since the Committee's last report on *Trade and Investment Opportunities with India*. However we believe that large companies, rather than the SME community have been the main beneficiaries.

2. India is the UK's 18th largest export market and its second largest export market in the developing world after China. In 2005 the UK exported almost £4 billion of goods and services to India. To those that know India better it is no longer perceived to be solely the source of low cost labour but also as a very dynamic ICT and service sector opportunity. The original off shoring of UK service sector jobs is now in reverse.

3. There is clearly a huge opportunity for firms of all sizes in terms of developing trade links with India but we believe more needs to be done to help SMEs in making the most of these.

4. UK Trade & Investment (UKTI) have identified 16 broad sectors in which they say "proactive UK companies can increase their profitability and international competitiveness"—amongst these are the construction, creative and media, engineering and ICT sectors. Despite this however, SME businesses can still find India a challenge when it comes to realising and exploiting trade opportunities.

5. An indication of the current low penetration in India by the SME sector can be seen through the enquiries received by the Export Marketing Research Scheme (EMRS) which the BCC runs on behalf of UKTI. The scheme encourages UK businesses to conduct research before entering a new overseas market. Since 1 January 2006, the EMRS has received 1,343 enquiries, of which only 93 (7%) have been from companies with India in their portfolio. Through the EMRS, BCC has supported 30 individual projects

researching the Indian market with research grants of £103,500 over the last three years. Enquiries to the scheme have shown a recent upturn in interest in India which may indicate growing confidence amongst SMEs to take advantage of the trade opportunities on offer.

6. In order to better support SMEs, BCC believes that UK Trade & Investment needs to concentrate on delivering much more focussed activity on India as there are still too many confusing organisations offering advice and support across the regions. In our view the understanding many small and medium sized UK businesses have of the Indian economy has been better delivered by organisations such as the Chambers of Commerce than through agencies such as UKTI.

7. The BCC's network of Accredited Chambers across the UK through their World Trade Forums and Export Clubs have been making India more visible and potentially accessible to the smaller business. BCC has several Chambers that offer their local businesses a better understanding of India. Birmingham Chamber of Commerce and Industry for instance has developed an India Pakistan Trade Unit (IPTU), which is the one-stop information shop for businesses in the West Midlands working and trading with South Asia. Through the IPTU website businesses can obtain a wide range of information from comprehensive sector breakdowns to export and investment opportunities.

8. In addition to initiatives at a local Chamber level, the BCC is developing close links with the Indo British Partnership Network (IBPN) and Federation of Indian Chambers of Commerce & Industry (FICCI) which can only improve dialogue and relations further. The BCC is looking to become a member of the IBPN as there is no real voice for the SME on this highly important and potentially very influential forum. Added to this the BCC and the IBPN is working with the FICCI to bring potential opportunities to the SME market. In order to cement relations further, the BCC a nd FCCI intend to sign a Memorandum of Understanding later in the year.

May 2007

Memorandum submitted by British Expertise

Introduction

1. We would like to offer evidence for the follow-up inquiry into *Trade and Investment Opportunities with India*. British Expertise is the leading British trade organisation promoting British services internationally. Our 250 member companies work in all the main consultancy and construction sectors, including urban regeneration, physical infrastructure development, project management, capacity building and legal services. We organise 15 to 20 overseas trade missions per year, and have taken two trade missions to New Delhi in the past year.

Evidence

2. India remains one of the most attractive markets in the world for our members and for British companies generally. Indian economic growth remains high at 8%+, and we expect that growth to continue in the foreseeable future. Our own response has been to seek closer ties with the Indian High Commission in London, and with appropriate Indian business organisations, in order to engage with leading actors in the Indian public and private sectors.

3. We gave evidence to the committee in 2006. A year is quite a short time frame in which to judge whether UK perceptions towards India have changed; or indeed to measure the effect of changes made by UK Trade & Investment to strengthen its network in India. However a certain amount can be said. In our last submission we praised the quality of UKTI staff in India, and questioned why UKTI offices in India had been subjected to staff cuts. We are now pleased to note that extra UK based staff have been posted to New Delhi and Mumbai. We hope that these resources will be focussed on helping UK companies both in the UK and in India, and not be diverted to the organisation of the many VIP visits that are taking place.

4. In the past year we have seen much change in India, especially in confidence levels at home and overseas. This has been reflected in the number of Ministerial visits from India to the UK. It has also been reflected in business activity, for example Tata Steel taking over Corus. This takeover was front page news in India, and visibly lifted confidence levels in an already booming stock market. Many Indians felt that this move crucially improved foreign perceptions of India to new levels.

5. It is clear to those who visit India on a regular basis that the major obstacle holding India back from competing with China is the lack of good infrastructure, especially roads and airports. India now has a surfeit of new, high quality airlines, as well as new low cost carriers. The resulting competition means that air fares in India are now at historical lows, opening up the market to a new set of consumers. The downside of this is that airports and airport infrastructure (such as air traffic control systems) are now overstretched and overcrowded. The two major gateway airports in Delhi and Mumbai were recently successfully privatised. We believe that Kolkata (Calcutta) and Chennai (Madras) airports will be privatised at some

point in the future. British companies have in the past been highly successful in the airport and other infrastructure sectors. It is important that UK companies are given every chance to take advantage of the new opportunities becoming available in this sector, and supported in their involvement.

6. Consumer confidence in India is high. There is growing evidence that Indian consumers and the ever expanding middle class have increased their spending power, and become more brand conscious and less price conscious. The way that Indian consumers now shop is also changing, with a shift in emphasis from local corner shops to modern shopping centres and malls. The retail sector will be the next sector to be fully opened up to international investment. We understand that foreign companies will soon be able to own 100% of a large retail outlet (100% Foreign Direct Investment)—at present they are limited to 50%. This will bring opportunities not only for our large retailers but also for architects, designers and consultants. It is important that UK retailers, architects and designers are well placed to take advantage of these new opportunities.

7. Legal services remains one of the few sectors yet to be opened to 100% Foreign Direct Investment. We are aware that there is a strong local lobby consisting of small local legal practices who are opposed to foreign legal firms operating in India. We believe this opposition is misguided—foreign legal practices will offer different skill sets from their local counterparts. At present, UK legal firms can set up loose joint ventures with Indian counterparts, or practice from third countries such as the United Arab Emirates. We hope that consideration will be given to using Ministerial gatherings such as the JETCO process to lobby to open up this important sector to 100% FDI.

8. As we noted in our previous evidence, one of the keys to companies being able to take advantage of the opportunities we have highlighted is timely and accurate advice from UK officials in India, advice that they are uniquely placed to provide. This involves tracking and then alerting UK companies to changes in laws and regulations, as well as alerting them to new opportunities. The performance of UKTI staff in India is often excellent in this regard. Much of the hard work is done by locally engaged members of staff in The High Commission and Deputy High Commissions. However the buoyant Indian economy has encouraged many new international companies to set up in the major metropolitan areas, and indeed the larger British Expertise members are among them. Many companies, Indian and international, are competing for a limited number of experienced and talented staff. Some foreign Embassies, High Commissions and Consulates in India are paying private sector rates of pay in order to attract experienced senior locally engaged staff. The result is that wage rates in the major metropolitan areas have increased at a much higher rate than that of inflation, which was 6.6% in late January 2007. We hope that consideration will be given to increasing budgets to ensure that our missions in India can continue to compete for talented people, and that we can also retain them for a reasonable period of time. Failure to do so will compromise the high quality and timely advice that companies seek.

9. Finally, we hope that increasing Ministerial contacts will be used to lobby for changes in the regulatory framework in India, including opening up new sectors to outside investment.

May 2007

Memorandum submitted by BT

Introduction

1. BT is one of the world's leading providers of communications solutions and services operating in 170 countries, including India. BT consists principally of four lines of business: BT Global Services, Openreach, BT Retail and BT Wholesale. BT Global Services is the line of business with direct operations in India and India is one of the key markets for BT. We welcome the opportunity to provide input into this Inquiry.

BT in India

2. In September 2006 BT announced strong growth plans, predicting that its revenues from India will be US$250 million by 2009. BT is also looking to hire an additional 6,000 people in India within the next two years and plans to add additional resources to support its already substantial capabilities in outsourcing and systems integration services.

3. Over the past year BT has announced a number of developments which significantly increase its capabilities and presence in India:

- — in November 2006, BT announced that it had reached a joint venture agreement with Jubilant Enpro Pvt. Ltd, a New Delhi-based company engaged in the businesses of oil and gas, food and services. The formation of the Joint Venture enabled the Joint Venture Entity (BT India Telecom Pvt ltd), in which BT holds 74% equity, to apply for telecommunications licences;

- in February 2007, BT was granted International Long Distance (ILD) and National Long Distance (NLD) licences by the Department of Telecommunications in India. These licences mean BT is now able to offer services directly to multi-site corporate customers in India;
- in February 2007, BT signed an agreement for the acquisition of i2i Enterprise Pvt Ltd, a Mumbai-based enterprise services company specialising in internet protocol (IP) communications services for major Indian and global multinational companies. i2i has a significant customer base in the IT, ITES and BFSI segments and has network operating centres and offices in all major commercial cities in India; and
- in March 2007, BT announced the activation of a new multi-protocol label switching (MPLS) node in Chennai, India at a ceremony attended by The Honourable Mr Dayanidhi Maran, the now former Minister of Communication and IT.

Recent Developments in the Telecommunications Sector

4. BT is pleased with recent developments in the telecommunications sector in India, particularly the change in the Foreign Direct Investment (FDI) requirement for obtaining both NLD and ILD licences. In Press Note Five of November 2005, the conditions applying to ILD and NLD licences in India were amended and the permitted FDI for licence holders was increased from 49% to 74%. The overall cost of licences was also reduced.

5. As a result of these changes, BT established a Joint Venture with 26% of equity being held by a resident India Company (Jubilant Enpro Pvt. Ltd) and 74% held by BT, and obtained both NLD and ILD licences.

6. Despite the increase in FDI permitted, BT continued to have a number of concerns around the security conditions applicable to the licences which would make it extremely difficult and costly for foreign carriers to offer services in India. In particular, the security conditions included restrictions on:

- remote management (from outside India) of the network in India;
- passing network and customer detail to parties outside India; and
- routing delivery of domestic traffic via points overseas.

7. After significant input from the Industry and with assistance from the British High Commission in Delhi, the Indian government made amendments to the security conditions which, in BT's view, better reflect the balance between addressing security concerns and allowing foreign carriers to operate in India. These amendments are still quite recent and we will be monitoring their implementation to ensure that they are not used to discriminate unfairly against foreign carriers and form a barrier to entry into the market.

8. There have been recent indications that the entire regime around FDI may be reviewed. It is important that there is no regression, either through direct or indirect measures. BT would like to see the remaining limits on FDI in the telecoms sector reduced or eliminated. Furthermore, the fixed telecoms market in India continues to be dominated by incumbent state owned carriers and more needs to be done to regulate these operators to create a fair and open market. Some of the areas that cause concern include: excessive licence fees, revenue share and Universal Service Obligation (USO) contributions and the lack of mandatory wholesale pricing.

UK-India Jetco and UKTI

9. The Committee has asked about progress with the UK-India Jetco and about the UKTI. BT has been pleased to participate in some UK-India Jetco meetings and will continue to support this initiative in the future. On the UKTI, we have had a number of contacts with them that have been helpful, but have no comment on the extent to which the new UKTI strategy has changed the landscape.

10. We also meet regularly with the UK High Commission in India and they have been very supportive over the past year, particularly in regard to issues relating to licence conditions.

Conclusion

11. BT has been encouraged by developments in the telecoms sector in India. Further liberalisation is needed and it is important to ensure that the ability of British companies to be active in the sector is not curtailed. If there are to be changes to the FDI regime then they should be to continue the positive trend for foreign investment in telecoms.

23 May 2007

Memorandum submitted by the City of London Corporation

(Submitted by the Office of the City Remembrancer)

Introduction

1. As highlighted in earlier evidence to the Committee, the City has very considerable trade interests in this important and developing market. Under the City "brand", the City of London Corporation seeks to promote and support the financial services sector in the UK regardless of the relevant home base of individual institutions, as Ambassador and facilitator for the industry irrespective of its geographical location in the UK. As such its promotional activities are not confined to the "Square Mile" and the surrounding business cluster.

2. The City of London Corporation has long recognised the critical importance of the India as an emerging market both to the world economy at large, and to the international financial services industry which raises the capital, provides the advice and facilitates the trading on which that economy so heavily depends. Since the 1990s, visits to India have been a regular part of the Lord Mayor's annual overseas visits programme. The current Lord Mayor is visiting the region this month with a strong business delegation. In further recognition of the scale of opportunities India presents for the financial and business related services (FRBS) sector, and following similar engagements in China, the City Corporation has established a City Office in Mumbai (Bombay) and an Advisory Council to inform the work of that Office. This represents a further attempt to deepen the bilateral relationship in Financial Services.

3. The City of London Corporation welcomes the opportunity to respond to this follow up inquiry into India and provide an overview of developments from its perspective since the Committee's report last year.

City Office in Mumbai

4. The City Corporation first discussed establishing a presence in India early last year. There was strong support at that time from both the Indian business community and British High Commission in New Delhi to establish some form of City Representation in India to mirror that already in place in China.

5. There was some delay in establishing physical representation in Mumbai, caused by the lengthy process of obtaining official permission for the Office from the Reserve Bank of India. The City Office in Mumbai was however formally established in January 2007 and works to promote the interests of the UK-based financial services sector. The overall aim of the Office is to strengthen trading and investment links in both directions between India and the UK and, more specifically, promote awareness of the services of the City to potential customers in India, as well as other influencers and intermediaries such as Indian financial institutions, the media and regulatory or trade bodies. Although funded and managed by the City Corporation, the Office is very much intended to be a resource for the FBRS sector. The British Government is strongly supportive of the creation of the Office, and the Deputy High Commission in Mumbai and High Commission in Delhi lobbied the Indian government on the City's behalf, resulting in the approval to open the Office in January 2007 during the visit to India of the Chancellor of the Exchequer.

6. The City Office works to promote the services of the City to Indian public and private sector customers including the raising of capital, insurance, asset management, infrastructure finance and consultancy, London's exchanges, business education & training and legal & advisory services. Through this promotional work, the City seeks to facilitate the business development of the FRBS sector by providing support for visits, making introductions, and providing briefing material. The Office also works to identify formal or informal barriers to market access for financial and related business services, so that action to overcome them can more readily be taken by the relevant authorities. Another function of the Office is to promote the UK generally as a physical location for Indian financial and business related services; and to target, attract and assist businesses in their UK establishment. In this regard, the City Office has assisted major Indian firms such as the General Insurance Corporation of India with their plans to come to the UK.

7. Funding for the Office has been approved initially to 2010. The City of London intends to continue to liaise closely with UK Trade and Investment (both in the UK and at overseas posts) to ensure that the programme of activities is in line with the India Financial Services strategy and avoids duplication of effort.

City of London Advisory Council in India

8. The work of the City Office in Mumbai is steered by the City of London Advisory Council for India, (CoLACI), chaired by Alan Rosling, Executive Director of Tata Sons Ltd. The Advisory Council, formally launched in February 2007, comprises senior and influential Indian business figures including the Chairman of Reliance, the Chief Executive of ICICI Bank, the Chief Executive of HSBC Securities and Capital Markets, the Senior Partner of AZB & Partners, the Chairman of Development Credit Bank and the Chairman of the HDFC Group. The Chairman of the City Corporation's Policy and Resources Committee, Michael Snyder, represents the City Corporation on the Council, and the British Deputy High Commissioner also attends as an ex-officio member.

9. The first City of London Advisory Council for India meeting was held in Mumbai in February 2007. The next meeting is scheduled for London in July.

10. Following the first meeting of the Advisory Council, it was agreed that the City of London should initially focus its efforts in three main areas in support of Mumbai's aspiration to be a regional financial centre, and for the benefit of the Indian economy in general. These included the development of the public/private partnership (PPP) model for infrastructure development, improving access to capital, including through the Alternative Investment Market (AIM), and assisting in the development of a corporate debt market. The Council also endorsed a proposal to develop a programme for the "rising stars" of the Indian financial services industry, along the lines of the programme operated by the City Corporation for new EU Member States[25].

11. The overall conclusion was that the City of London, and more generally, UK-based financial services were well placed to assist with the development of the financial services sector to the benefit of the Indian economy. In particular it was felt that the City of London's unique status enabled it to operate as a facilitator, for example with State Governments as well the central authorities, and business practitioners.

12. The establishment of the City Office and the launch of the Advisory Council have attracted significant media and business attention. There is the recognition in India that for Mumbai to be credible as a regional financial centre it had to overcome the challenge currently posed by Dubai. The successful visit by the Lord Mayor last year, by the City Corporation's Chairman of Policy and Resources in February this year, and preparation for the visit of the Lord Mayor this month have all provided strong momentum and priorities for the City Office's work. It is the City's intention that through discussion in the Advisory Council, the work of the Office will respond directly to the priorities of the business community, and matters of concern raised by them, to the benefit of both India and the UK. In this context, the City intends to commission research into a particular area of the Indian market later this year in response to points raised in the first Advisory Council meeting and a seminar on Public Private Partnerships will form a key part of the Lord Mayor's programme for India.

Co-operation and Joint Working

13. The Advisory Council has approved the City of London Action Plan for India which seeks to complement the work of the Government's Financial Services Sector Advisory Board (FSSAB). The FSSAB works alongside the Chancellor's High Level City Group and, like the High Level Group, includes City Corporation representation. The City works closely with the Government on the FSSAB and contributed to the development of the UK India Financial Services Strategy which draws on research commissioned by the City Corporation on future scenarios for India and China[26]. It is acknowledged that that any initiative undertaken by the City Office needs to be coordinated with other interested parties, notably the Indo British Partnership Network, and UK Trade and Investment financial services sector and South Asia teams in London. The City also keeps abreast of any developments arising from the Joint Economic and Trade Committee (JETCO), and seeks to offer assistance wherever possible. This has included, for example, facilitating access to large Indian businesses represented on the Advisory Council and building JETCO outcomes into briefings for City Corporation outward visits.

14. Together with the representation of the Deputy High Commissioner on the Advisory Council, this demonstrates the concerted effort of the City and Government to provide a more co-ordinated approach to India as an important emerging market. This is further illustrated through thorough consultation with the Government, through UK Trade and Investment and the Foreign and Commonwealth Office, ahead of any visit by either the Lord Mayor or Chairman of Policy. Similarly the City provided briefing material ahead of visits by the Chancellor and Secretary of State for Trade and Industry earlier this year. The City also coordinates with the other agencies involved in promoting trade and investment between UK and India including the London Development Agency, Think London and the Indo British Partnership Network, senior members of which are accompanying the Lord Mayor on his visit this month.

General Points

15. Following the first meeting of the Advisory Council, the City Corporation has sought to facilitate further discussions with City stakeholders on their perception of India. One concern raised was that, with the possible exception of the London School of Economics and a small number of other institutions, UK University penetration of the Indian market has fallen with the United States now leading the market and Australia had overtaken the UK as the second most popular destination for students. A recent study of US perceptions had shown that India was the only country where the impact of US policy over the past five

[25] The programme is run by the City Corporation's Economic Development Office for the New Member States and Accession countries and is aimed at practitioners, government officials and regulators. The aim of the programme is to promote the UK financial services industry, share best practice in regulation and related matters and build personal and corporate links between the City and figures of influence in the particular country. The Programme centres around a 5–day tailor-made City course followed by a work placement in a firm or institution for 9 weeks. The placement offers an ideal chance for the participants to gain insight into City practice while creating and maintaining helpful relationships with City institutions.

[26] "Scenarios for India and China 2015: Implications for the City of London", SAMI Consulting and Oxford Analytica, published by the City of London Corporation, October 2006.

years had little impact on the perception of the US, and hence its attraction as a place to visit and study. It was suggested that visas, and the inability of individuals to work after graduation, acted as barriers to UK university penetration.

May 2007

Supplementary evidence from the City of London

REPORT BY THE RT HON THE LORD MAYOR
(ALDERMAN JOHN STUTTARD)
ON HIS VISIT TO INDIA

REVISED REPORT, OCTOBER 2007

Executive Summary

The Lord Mayor, accompanied a business delegation of 40 representing the full range of financial services sectors, paid a very concentrated and productive visit to India from 19–26 May. The principal objectives were to promote the UK-based financial services industry and to share with Indian partners The City's experience of emerging as the leading global financial centre, including its strengths in professional training and capital markets. In particular, the Lord Mayor sought to emphasise the benefits of the UK's liberal market approach and proportionate, principles-based regulation—elements that the Indian Government will need to consider very carefully if they are to realise their ambition to promote Mumbai as an international financial centre.

The Mayoral party visited New Delhi, Kolkata and Mumbai. With members of his senior business delegation the Lord Mayor called on five Cabinet Ministers, the Governor of the Reserve Bank of India, the Chief Minister and Minister of Industry of West Bengal, and the Mayors of Kolkata and Mumbai. Seminars on Education, Training and Qualifications (ETQ) were held in each city. Two round table events focussed on key elements of infrastructure funding and public-private partnerships (PPP)—in Delhi addressing the potential use of PPPs in provision of social infrastructure and in Mumbai on "Risk Sharing—How to finance India's infrastructure". In Kolkata a broader financial services seminar put The City's offer on the table under the banner "*UK and India: Partners in Action: Building Financial Capability*". The Lord Mayor also took part in a brainstorming discussion with senior Indian officials and business representatives on taking forward the recommendations of the High Powered Expert Committee (HPEC) report on "Mumbai ıan International Financial Centre".

Key outcomes included an important step forward on the liberalisation of legal services and renewed awareness among Indian players of the importance of opening up opportunities to train far more professional accountants. However, the reaction of Indian Ministers on the prospects for progress in banking and insurance reforms that had previously been promised was somewhat discouraging. All of the Lord Mayor's interlocutors were very interested to learn about how the impact of Big Bang (1986) and the creation of a single regulator for financial services had facilitated London's emergence as the world's leading international finance centre. The City is now well placed to be the Indians' principal partner as they seek to develop the standing of Mumbai as a financial centre, although it remains an open question whether the present government has sufficient domestic support to deliver the legislative conditions that will be required to make rapid progress.

The delegation's detailed explanations of how PPPs have been used to enhance the development of infrastructure across a range of public services in the UK attracted a lot of interest from business and government players, although there was much scepticism about the appropriateness of these techniques for funding the provision of social infrastructure in India's current circumstance. The Lord Mayor's visit aimed to raise the profile of London and the UK as a high quality investment location and efficient source of capital, and made progress in raising awareness of the importance of professional training and qualifications in driving economic progress.

Objectives

The visit combined a series of business and wider diplomatic goals:

- Lobby for improved market access in key financial and professional services sectors;
- Promote London as a global financial centre offering a world class financial and business services, LSE/AIM listing, and a European investment hub;
- Explain the UK's liberal approach to regulation and corporate governance through seminars and workshops, and encourage India to move in the same direction as it develops Mumbai as a financial centre;

— Promote the UK as a place of excellence for business education and professional qualifications by speaking to the Lord Mayor's Education, Training & Qualifications Initiative "City of London, City of Learning".

And more specifically:

— To lobby for liberalisation and improved market access in; Insurance, Banking, Pensions, Securities Markets, Property/Valuation, Legal and Accountancy Service, both in terms of policy reform and better implementation

— To explain UK's liberal approach to regulation and corporate governance through seminars and workshops, and more generally promote (post-tertiary) education, training and professional qualifications in financial services provided by London/UK organisations

— To market what London/UK has to offer in terms of financial services for Indian companies; attractiveness as a place to list (including AIM); focus for EU engagement

— To prepare the ground in emerging economic centres in India (eg Kolkata) as possible targets for UK financial services companies as liberalisation continues.

Outcomes

Legal Services

Both Law Minister Bhardwaj and Finance Minister Chidambaram argued that the Limited Legal Partnerships (LLP) Bill—which both expected to pass by the end of this year—would make a major difference by opening commercial law practice to international law firms. The Government were hoping to take this forward on the basis of consensus and with the Bar Council of India's co-operation, but would legislate if needed. It will be important for UK law firms to test the practical application of the new legislation as soon as the LLP Bill is passed.

The Lord Mayor's speech at a Law Society provided the opportunity to gauge the reaction of legal professionals to the suggestion of the liberalisation of legal services. The younger generation of Indian lawyers present were clearly in favourı but it was evident that the older/family firms were more cautious. If the LLP Bill goes through—possibly before the end of the year, certainly in 2008—more tie-ups could follow quickly. The Law Minister's new demonstration of support was an important step forward in this respect.

Accountancy and Corporate Governance Issues

Some forward steps on accountancy liberalisation, though serious sticking points remain.{ Corporate Affairs Minister Gupta said that the new Limited Liability Partnerships Bill, which should be adopted by the end of the year, would allow for an unlimited numbers of partners and use of international brand names, thus levelling the playing field for international firms (and building confidence for local legal firms too). The Institute of Chartered Accountants of India (ICAI) said that they were willing to cooperate in discussions to re-establish mutual recognition of accountancy qualifications (withdrawn by the UK side in 1985 in response to new EU legislation, and by the Indian side in 1997). Gupta made it clear that he had no immediate plans to remove the ICAI's self-regulatory functions—he was confident that their performance would be further enhanced by revised guidelines in the new Companies Act.

The Lord Mayor emphasised to the ICAI that the mutual recognition deal which they seek would need to include all the UK accounting bodies to meet POB rules. In addition to the continuing discussions with ICAEW the ICAI thus need to resolve their long-running dispute with ACCA: excluding them from a deal was not an option.

Gupta also showed considerable interest in the UK's model of corporate governance—although his focus seemed to be more on companies' reporting requirements (where India has established an impressive electronic filing system that has significantly improved formal compliance) than the underlying culture of a principles-based regime relying on effective corporate risk management by individual companies. The Lord Mayor drew attention to the FRC's work on this issue (he promised to provide additional copies of their booklet on the UK's approach), and undertook to offer advice on the establishment of the planned Indian Institute of Corporate Affairs.

Banking Liberalisation

All our interlocutors gave clear indications that, while the roadmap timetable for banking liberalisation will be respected, retail banking will also be slow to open up: a combination of conservatism and protectionism is likely to maintain strict limits on foreign branches even after the current Governor's term ends in 2008. There will, however, be opportunities to exploit in areas that are already more open, such as corporate banking—Dr Reddy advised that overseas players should concentrate on these, and CoL/UKTI will want to consider emphasising this approach in the UK's financial services marketing strategy.

Insurance and Pensions

There were pessimistic noises about prospects for the draft Comprehensive Insurance Bill, which is still stuck in Parliament due to left wing political opposition. Both Commerce Minister Nath and Planning Commission Deputy Chairman Montek Singh chose to link raising the FDI limit in insurance from 26 to 49% to progress in GATS on India's offensive interests—a new line of argument, and potentially unhelpful as we move towards a crucial period in the Doha round where compromise, not new conditions, are needed. However, Chidambaram was categorical that the Bill, if passed, would allow Lloyds to provide reinsurance in India.

Regulatory Structures

There were signs from some quarters that discussions are starting on forming a single regulatory body for financial services. Finance Minister Chidambaram appeared relatively cautious, but it received more traction among the financial community in Mumbai. The experience of the FSA in this field makes the U.K an obvious interlocutor if the idea gets a head of steam. Fairly rapid progress on this matter is not unrealistic, given that three key regulators—of securities, insurance and the central bank—are all due to retire in 2008, and the role of the pensions regulator is still being formed.

Mumbai—an International Financial Centre?

In a closed door discussion in Delhi with senior economic policy-makers, the Lord Mayor and his senior business delegation detailed the benefits to London of the abolition of restrictive practices, openness to foreign ownership, separating monetary policy from banking regulation, and of a principles-based—rather than rules-based—approach to regulation. Practitioners saw new opportunities in the development of a corporate debt market in India, including mezzanine finance, and for raising non-equity finance in London. Others commented that the deficiencies in Mumbai's transport infrastructure demonstrated how far the city still has to go.

The focus, in all three cities, of the Lord Mayor on professional skills in financial services appeared to be received enthusiastically. The UK has a great opportunity to help India address its skills gaps by providing training and educational services. There was great interest in pursuing the idea of a City of Learning Financial Education Centre in Mumbai; this will be taken forward at a major meeting with service providers at Mansion House in July; Indian Posts will also follow up with individual delegation members. BHC Delhi is keen that ETQ should be a strong theme of next year's Mayoral visit also.

Opportunities in Kolkata

Several members of the business delegation were impressed by developments in Kolkata, which due to local political factors has been left behind in India's drive towards economic liberalisation. They found a new energy and confidence in the Going Global and ETQ seminars that bodes well for future commercial openings in financial services.

Public Private Partnerships

The visit provided the platform for an intensification of the UK's dialogue with India on PPP. There is a huge appetite to learn from the UK experience, but India is still cautious about greater use of PPP in the social sector. Partnerships UK are now well established inside the nerve centre of policy development at the Planning Commission, and are working to build trust with line ministries like Health and Education (although there is already significant private sector engagement in medicine & schools—Montek Singh expressed continuing doubts about the scope for PPP provision in this area).

In Mumbai, the PPP seminar focused more on existing and near term business opportunities. UK players are interested, and there is considerable business potential in advising on risk sharing and scoping of infrastructure projects—we need to press harder. PPP could be a theme for a major BDHC conference in September, notably concentrating on corporate finance for primary infrastructure—water, energy/power and transport are key areas (not ports, the upgrading of which is already in hand using conventional project finance routes).

Maritime Services/Freight Derivatives

The visit highlighted to India's 35 ship-owners the benefits of using London and the services of the Baltic Exchange—notably freight derivatives, which cannot currently be traded within India due to concerns about the non-deliverable nature of the underlying product. The Baltic was able to press its case with key ministers, and will be writing to reinforce the argument for a change in existing regulations that require trading to be in a tangible deliverable commodity. They are also looking at the case for introducing a specific index product that could be marketed in India as an important hedging instrument for Indian maritime risk.

Surveying and Valuation

India currently has no regulatory framework for surveying and valuation, a lacuna clearly appreciated by the Corporate Affairs and Finance Ministers. Gupta issued an invitation to the Royal Institute of Chartered Surveyors to help develop such a structure; RICS will respond positively in writing—they see this, and India's associated professional training requirements, as an exciting opportunity.

Derivatives

The Lord Mayor's party received a briefing from P Ravikumar, Chairman/CEO of the National Commodities and Derivatives Exchange, whose rapidly-growing reach and technology impact on India's 60% agriculturally-focussed population will be profound and fast. NCDEX is looking to form strategic partnerships in services and technology (including telecoms) with key international players; it is important that UK-based players look carefully at this important opportunity to partner with a growing force in global commodities trading.

Education, Training & Qualifications

The Indian Government clearly recognises the importance of upskilling its population and ensuring that sufficient supplies of professionally qualified individuals are available to support the growth aspirations of Indian companies as they increasingly seek to compete on the global scene. There was significant interest in each of the three cities visited in the quality of the internationally-recognised qualifications offered by British institutions, and keenness to cooperate with UK-based training bodies in delivering these outcomes. Professional training in insurance was identified by several interlocutors as a particular gap. Expansion of accountancy training will depend on the early resolution of ICAI's legal dispute with ACCA. Chidambaram mentioned a bill currently under consideration by the Ministry of Finance that would open up provision of professional training—BHC will pursue.

In Mumbai discussion focused on the Lord Mayor's proposal for the creation of a City of Learning Financial Education Centre that might act as a platform/umbrella for UK-based providers of qualifications and training services. A number of institutions represented in the business party (including RICS) expressed interest in being involved. BDHC was keen that this might be a focus for pilot UKTI funding in association with the British Council. The Indian authorities' attention was also drawn to the opportunity to participate in the new International Centre for Financial Regulation to be established in London

There was a good turnout for the Mumbai launch of SII's new IT examination, for which 600 students are already registered. The Lord Mayor noted SII's tremendous progress in the Indian market, and the scope for further growth. An inaugural meeting of India-based members of the Chartered Institute of Arbitrators also went well.

Conclusions

The Deputy High Commissioner in Mumbai said that the Mayoral visit was an excellent opportunity to show that the UK has the expertise in a range of key areas, which, if employed by the Indian Government and Business community, will assist India in achieving continued economic growth. With this in mind, it was felt that the trip was effective in providing a platform for the export of those industries in which the UK has a great deal of experience, particularly the Financial Services sector.

Ahead of next year's visit, the option of visiting the commercial capital first should be considered to allow the direct experience gained from business contacts to be raised with politicians in Delhi. Early planning will also be critical—the arrival of a new First Secretary (Financial Services) in Mumbai will reinforce the specialist capacity already vested in the City Representative there. It will be important for City stakeholders to be kept abreast of Indian developments, including the implementation of the HPEC report. In order to help facilitate this, Mansion House will look for briefing opportunities when senior Indian visitors are in London.

October 2007

Memorandum submitted by Clifford Chance LLP

Introduction

1. This submission is made on behalf of Clifford Chance LLP, in response to the invitation by the House of Commons Trade and Industry Committee to submit evidence on its new inquiry on developments since the Committee's 2006 Report on Trade and Investment Opportunities with India.

2. Clifford Chance is one of the largest law firms in the world, with 28 offices in 20 countries[27] throughout the Americas, Asia, Europe and the Middle East, and over 3,600 legal advisers, the largest number of which are based in London. We are regulated by the Law Society of England and Wales.[28]

3. We made a submission to the Committee's inquiry into Trade and Investment Opportunities with India, in January 2006, in which we argued that legal services are as important as other infrastructure services in facilitating foreign investment and developmental projects, and in which we brought to the Committee's attention the fact that local regulatory constraints currently prohibit non-Indian law firms from establishing offices in India.

4. We welcomed the recommendation in the Committee's report on legal services, and particularly the recommendation that the UK Government should "press the Indian Government to commit itself to a timetable for the liberalisation of the legal services market" (paragraph 85).

5. We were disappointed that the Government's response to the Committee's report made no specific mention of legal services, though it did promise, more generally, that the Government would continue "to push forward our market access agenda, through ministerial contacts, multilateral negotiations, bilateral lobbying and the JETCO process" (paragraph 16).

The JETCO Process

6. Clifford Chance has been participating directly in the JETCO process in relation to legal services; Sir Tom Legg, our representative on the JETCO team, recently accompanied Baroness Ashton on a visit to India, along with other industry members of the team (26 April to 5 May 2007).

7. Progress of the talks has been disappointingly slow. Representatives from the Indian legal services industry were not receptive to proposals put forward by the UK side which would have led to a gradual liberalisation and which took into account{local restrictions which would have placed Indian law firms at an unfair disadvantage. Alternative proposals involving Indian majority-owned{joint ventures put forward by Indian lawyers were not acceptable to UK law firms.

8. More recently it has become clear that a key player in the Indian legal services sector, the Bar Council of India (the "BCI"), should have been included in the negotiations from the outset, but had not been invited by the Indian Government. The BCI is formally opposed to liberalisation but we believe that this stance is not immutable. Disappointingly, it was not possible to convene a further JETCO meeting in India, but the BCI has agreed to come to London for talks in the near future.

9. However, Baroness Ashton's visit has revitalised the process and we remain confident that the JETCO process will have positive results for liberalisation. We would like to pay tribute to Baroness Ashton for her efforts on behalf of the legal services sector during the trip to India. We are hopeful that her personal commitment and the energy she has brought to the negotiations will regenerate the talks and help bring about a positive outcome. Certainly the climate in India as regards liberalisation of legal services is more positive now than at any point in the last ten years.

10. The JETCO process therefore has already achieved a great deal in terms of advocacy for the autonomous liberalisation of legal services in India and we are confident that it is laying the groundwork for real progress. This could take the form of unilateral action by India to enable foreign lawyers to work there or of a binding agreement either within the DDA framework or, perhaps more likely, within the framework of the Free Trade Agreement negotiations recently announced between the EU and India. While formal launch of these negotiations has been delayed (at time of writing), we are confident that they will be launched in the near future.

11. We would also like to pay tribute to the UKTI representatives in India, as well as the DTI trade negotiators. We believe there is evidence of greater co-ordination between UK agencies, and between UK and EU negotiators on legal services in the past year, and we are grateful for the efforts made on behalf of legal services.

[27] Includes an associated office in Romania.
[28] Registered number OC323571.

CONCLUSION

12. Although there have been no concrete developments in relation to legal services in India, in that local restrictions continue to prevent UK law firms from establishing and providing legal services in India, there have been promising signs on the ground in India that attitudes towards the liberalisation of legal services are changing, largely as a result of the JETCO process. We are therefore increasingly hopeful that it will be possible to achieve some measure of liberalisation either by unilateral Indian action or in the DDA or the FTA negotiations. We have enjoyed excellent support from the Ministry of Justice and from the Department for Trade and Industry in the past year, and hope that the government will continue its efforts in the coming year.

29 May 2007

Memorandum submitted by the CBI

OVERVIEW

1. The Confederation of British Industry (CBI) is the premier voice of UK business, speaking for around 240,000 companies and 150 trade associations. Our membership stretches across the UK, with businesses from all sectors and of all sizes. Through their worldwide trading activities, UK businesses contribute 25% of UK GDP. They are the world's second largest source of foreign direct investment (FDI) and the UK is the second largest recipient of global FDI

2. CBI is actively engaged in promoting UK trade and investment interests in key global markets, including India. We welcome the opportunity to comment on progress following the Trade and Industry Committee's inquiry into Trade and Investment Opportunities with India, although we believe that the twelve month period since the last report is too short a time for significant impact on actual trade and investment flows to be seen. Nevertheless, there is evidence that UKTI and business have responded to the challenges and opportunities that India presents. There have been some positive developments in the last six to 12 months, in particular some major investment decisions. These give cause for encouragement but not complacency.

3. We believe that most significant developments include:

— UK-India Investment Summit, October 2006, which included the two Prime Ministers, senior Ministers and business leaders

— high-level visit to India in January 2007

— UK-India Joint Economic Trade Committee (JETCO)

— Financial Services Partnerships

— UKTI additional resources resulting from its new strategy

— restructuring of the Indo-British Partnership Network (IBPN)

— progress on trade policy issues & agreement to launch negotiations aimed at concluding an EU Free Trade Agreement with India.

Impressions of developing trends in India

4. The enhanced activity on and with India is taking place against a backdrop of rapidly changing dynamics. Indian business is reaching and competing on a global scale at an astonishing speed. The process started in the service sector with information technology and software, but now includes communications and manufacturing. For example, the mobile phone market is growing at a rate of six million units a month, and India is increasingly moving into value added manufacturing in sectors such as steel, aero space components, household goods, and food processing. Pharmaceutical companies are now doing their own research and development and branching into the international market on the back of their success in generic products. This growth has led to increases in business confidence and the UK is benefiting from this in the shape of foreign direct investment by Indian companies into our economy.

5. These trends mean that international trade is becoming an increasingly important part of the Indian economy. India's share of world trade has more than doubled since the 1990s. This growth is accelerating and now represents nearly two-fifths of GDP, although it is well behind the proportion seen in the other big economies of East Asia. India is, however, catching up fast and we believe there is scope for more rapid expansion in the years ahead. This will particularly be the case if India continues to liberalise its markets and fully implement international trade commitments.

6. India looks set to become one of the prime beneficiaries of the high level of growth in trade in services. The Indian economy is slowly opening to international investment and, as the confidence of its own companies grows, the country will have to become increasingly willing to allow much greater levels of foreign participation. Deregulation and liberalisation have transformed large sectors of India's economy

over the past 15 years and pushed many of its companies onto the global stage. Liberalisation could bring similar benefits to the financial markets, accountancy, insurance and legal and retail, as well as in education. All these are areas where the UK has much expertise to offer.

7. Whilst significant progress is being made, it is clear that India has a long way to go to achieve full market liberalisation. Governments and business have an important part to play to ensure that India not only continues but accelerates its liberalisation process. These were the key messages which provided the backdrop for the UK-India Investment Summit in October 2006.

UK–India Investment Summit October 2006

8. This Summit was an early recommendation of the *UK-India Joint Economic Trade Committee* (JETCO) which was, established in 2005. It was attended by the British and Indian Prime Ministers. CBI Director-General, Richard Lambert, addressed the Summit and played an active role in driving forward the discussions at a high-level round table at 10 Downing Street, in the presence of both leaders. CBI worked with UKTI on this initiative and helped put together the UK business team. It provided an important opportunity for UK business representatives to lobby the Indian Prime Minister and to make a strong case for the need to resolve barriers to trade & investment, including reductions of restrictions on foreign direct investment (FDI) in India, not least in areas of UK interest mentioned in paragraph six. CBI welcomes the decision that the Summit will be repeated this autumn in India and we look forward to continuing progress in addressing these issues.

High-level visit to India in January 2007

9. Chancellor of the Exchequer, Gordon Brown, and the Secretary of State for Trade & Industry, Alistair Darling, travelled to India in January 2007 accompanied by CBI Director-General, Richard Lambert, and the largest ever UK business delegation to visit India. The CBI delegation went to Delhi, Bangalore, and Mumbai and attended the third annual JETCO meeting. This visit provided an invaluable framework within which to lobby on key business issues on behalf of CBI members. It illustrated the benefits of government and business working together to achieve our joint objectives. There was also constructive engagement with our counterpart organisations—the Confederation of Indian Industries and the Federation of Indian Chambers of Commerce and Industry.

10. UK Government can do much to influence and open doors for UK business. CBI members believe that Ministerial visits of this kind can greatly help in making the case for removing barriers to trade and investment and can be used to deliver and reinforce a strong business message.

Major Investment Decisions

11. India is now the second largest investor in the UK in terms of projects (according to Ernst and Young's European Investment Monitor). Indian investment in the UK rose by 110% in 2006. Indian companies created over 1,449 jobs and account for an estimated 30% of all foreign investment in London. For the first time ever the amount of money invested into the UK by Indian companies overtook the amount invested in India by British companies. In addition, major research projects are underway by Indian firms operating in the UK, particularly in information technology and pharmaceuticals.

12. More Indian companies are listed on the London Stock Exchange (LSE) than on the NASDAQ and the NYSE combined. Twenty four Indian companies are listed on London's main market or professional securities market. A further eleven are listed elsewhere, but trade on London's international order book. Seventeen Indian companies have been admitted to and trade on AIM.

13. There have also been some very well publicised major announcements in both inward and outward investment this year. In January, Tata Steel acquired Corus in a $12.2 billion deal. Vodafone has recently completed the final stages of its $11.1 billion acquisition of Hutchison Essar. Most recently, Indian drinks magnate Vijay Mallya completed the acquisition of Scottish distiller Whyte & Mackay. These are all very positive signs of two way investment flows and of the increasing emergence of Indian businesses as major global players which we welcome.

The UK-India Joint Economic Trade Committee (JETCO) process

14. CBI has been a key player in the UK-India JETCO since it was set up to remove barriers to trade & investment. We provide high-level business input from our members. The JETCO process is beginning to gather pace and deliver results in some of the main sectors on which it focuses. But this progress is not comprehensive and members have voiced concern over the lack of clear objectives, deliverables and time lines for some parts of the process. We welcome the increased allocation of staff in UKTI and posts in India with specific responsibility for the JETCO, as this should help tighten up and focus the working of the JETCO. However, given that the barriers highlighted in our previous submission to the Committee continue to affect CBI members, there is much for both sides still to do.

15. CBI members have highlighted the following issues relating to the JETCO working groups to which we would like to draw the Committee's attention:

— *Agribusiness*: areas in which the working group have sought to make progress include process refridgeration, supply logistics and food certification. The WG will seek to raise sectoral awareness of the potential that UK and India possess and ways in which this might be developed. The need for capacity building in India is also an area in which UK companies could provide assistance with training and education in food certification, quality control, food regulation issues.

— *Healthcare*: although discussions in the group have been progressing rapidly, CBI has been made aware by members that in some areas there was difficulty in agreeing an agenda that met the objectives of both sides and that would fully maximise the potential for UK-Indian collaboration. CBI therefore welcomes recent moves such as the diabetes project announced at the JETCO meeting in January and discussions of further widening the scope of the group to cover areas such as research collaboration, development activities, procurement, health insurance, and e- health and medical education.

— *Legal*: the JETCO working group has struggled to make progress and particularly to engage the Bar Council of India (BCI). However, the recent visit by the Rt Hon The Baroness Ashton of Upholland is widely acknowledged to have made significant progress in ensuring the BCI do come to the table under the JETCO. It also further stressed the point that British lawyers have no intention of competing with domestic lawyers on litigation or property work and that they are seeking a phased programme of liberalisation.

— *Intellectual Property Rights (IPR) Working Group*: the structure of the group is being formalised and activities agreed within the ambit of the Statement of Intent on Future Cooperation. IPR is a crucial issue and we look forward to progress in this area.

— *Hi-tech*: The WG is focusing on the development of mutual business opportunities, particularly in the telecoms, nanotechnology and information technology/telecoms sectors. There is a feeling amongst members involved in the WG, particularly those from the ICT sector, that whilst there appears to be significant progress being made with respect to the other working parties, progress in ICT was limited. This may be explained by the current industry dynamics where Indian firms are advanced in their business objectives around UK and Europe, whereas UK firms are not as well developed in their approach to the Indian market. UK firms have a chance to capitalise on the growth of India and UKTI has introduced initiatives to address the UK objectives in the WG. The CBI supports this development. The IT and Telecom Groups have flagged up regulatory issues that are making a number of UK companies hold back on huge investments in these sectors. These include lack of clarity on the regulations pertaining to the new Special Economic Zones and the new guidelines for increased FDI limits in the telecom sector, with restrictions on remote access for maintaining networks for global long distance service providers. This latter development means UK companies will not only be required to set up network operation centres at high cost but also constrain their ability to provide high quality services.

— *Infrastructure*: the large number of PPP projects being undertaken in India present an opportunity for UK technology and investment. The WG needs to evolve a sharper focus on specific areas such as power and utilities. It should also aim to work on actionable projects with the Indian Government assisting with high priority approved schemes.

— Accountancy: there is a growing gap between the demand for audit and advisory services and the numbers of suitably qualified accountants, as well as frustration with current restrictions among global Indian businesses and those seeking to globalise. Other developments include India's easing of restrictions on students; a new Limited Liability Partnership Bill that may also allow global networks to register by their international brand names; and a generally more relaxed view by the Institute of Chartered Accountants of India (ICAI) towards the larger global firms. In the UK, both the Professional Oversight Board (POB) and two of the four supervisory bodies have offered to assess the Institute of Chartered Accountants of India (ICAI) qualifications as a first step towards membership reciprocity to be followed by mutual recognition. In January 2007, it was also agreed to establish the qualification working group with a clear timetable and to examine further the market access issues

— The establishment of the *Financial Services Working Group* is a notable development since the last JETCO. The WG met for the first time in January and decided to focus on insurance, banking, securities, exchanges and infrastructure finance. Members welcome the proposed changes in legislation affecting foreign participation in the Indian insurance sector, allowing the maximum foreign ownership of insurance business to rise from 26% to 49%, and hope to see positive progress. In the UK, there is also parallel work in developing a UKTI Framework Strategy for India for the financial services sector and this will provide valuable input to the JETCO process.

— A proposal for a Working Group on *trade facilitation* is under discussion.

16. Plans are in hand to set up a JETCO Working Groups *website* to monitor developments. This would be a welcome step in making the process more transparent. There is, however, still much work to be done and CBI calls on both governments to continue to make progress in the JETCO.

17. One related development outside the JETCO is the establishment of an *Indo-UK Corporate Affairs Group*. It is due to meet on 6 July 2007 and this new group involves both business and government representatives with a focus on governance and company law.

Financial Services Partnerships

18. The many high-level visits over the last year, including the Chancellor of the Exchequer, the Lord Mayor of London, and the Duke of York, have all delivered a strong message regarding the potential for partnerships; the benefits of financial services reform including liberalisation in India; and the promotion of London as a global financial centre. This latter point encompasses both London as a place in which Indian companies can invest and also the strength and quality of work that UK services firms can offer India. In addition, there has been progress with the setting up of offices by a number of institutions including the Corporation and Think London, as well as by the Mayor of London.

19. A partnership between The City and Mumbai is also being championed. The recent report on *Mumbai as a Financial Centre* provided a realistic assessment of both the opportunity for Mumbai but also the major challenges it faces in its aspirations to become a global financial hub. In commenting on the report in an article in the *Financial Times* in April 2007, Richard Lambert acknowledged that Mumbai has the capacity to become one of the world's great financial centres. He pointed out that it has many competitive advantages including the widespread use of English, great expertise in information technology and quantitative analysis, well established systems for trading securities and a solidly grounded legal system. It is already the financial centre for the large and rapidly growing Indian economy.

20. Yet Mumbai is nowhere near its potential. Its markets are protected and undercapitalised. Trading in bonds, currencies and derivatives is curbed by regulations. The banking system is not competitive by global standards. Financial regulation is fragmented and based on rule books, not general principles. The City of London faced many of these same challenges 30 years ago and there is much that India can learn from the UK experience over the intervening period to enable it to reach its stated objective of achieving premier league status as a global financial sector leader.

UKTI additional resources resulting from its new strategy

21. CBI is supportive of the UK Government's focus on India. We are represented on the Asia Task Force and actively support the Joint Economic and Trade Committee for India (see section on JETCO progress). We are also represented on the Board of the Indo-British Business Partnership Network.

22. As we have illustrated above, since the last Committee's report in January 2006, CBI has been involved with a large number of high level joint initiatives with Her Majesty's Government, UK Trade & Investment and the Indo British Partnership Network. CBI believes it is right for the Government to provide the 20% increase in resource for India activity promised in UKTI's new five year strategy. Steps have been taken over the last twelve months to restructure and improve quality and levels of staffing in posts and on the country desks at Kingsgate House. CBI members hope that this will lead to an enhanced service and a greater uniformity across the UKTI network. In general, they speak highly of the levels of help already available from our High Commission on the ground in India.

Restructuring of the Indo-British Partnership Network (IBPN)

23. As part of UKTI's strategy, the UK Government has boosted support for Indo-British trade relations, and we welcome the increase to IBPN funding from £75,000 to £1 million per annum. CBI is actively engaged in advising on the restructuring process and in supporting its activities. We have recommended a new model drawing as appropriate on the experience of the China Britain Business Council. The new structure will include: the formation of a Senior Advisory Board; the recruitment of a new Chief Executive and the necessary support staff; and the development of a range of products and services to support the further development of UK's trade and investment footprint in India. This is a major boost to the overall trade and investment promotion effort and one we greatly welcome.

Progress on CBI trade policy issues and the EU's Free Trade Agreement with India

24. CBI remains fully committed to the World Trade Organisation (WTO) as the sole regulator of global trade. We urge a comprehensive and ambitious conclusion to the ongoing Doha Development Agenda (DDA) negotiations to be achieved by the end of 2007. As members of the G4 group of leading WTO members, both the EU and India have a special responsibility to ensure progress is made. For the EU, this will require accepting greater tariff cuts on agricultural imports.

25. For India, this will mean restricting the scope of its range of special products to a reasonable amount. Special products are a range of agricultural goods that developing countries will be able to shield from the full effects of the tariff cutting formula due to their key role in rural development and farm income security. However, the selection of such products should be made according to objective criteria and not distract from

substantial liberalisation. India will also need to accept lower industrial tariffs and improve access to its services markets for foreign companies. This will help to boost India's productivity and increase direct investment into India.

26. India should be granted improved access for its skilled workers (mode 4) and greater opportunities to provide outsourced services (mode 1). The Doha round will also provide India with more opportunities to export its manufactured goods. Cutting farm subsidies in developed countries will lower distortions in global agricultural trade, benefiting India in the long term by granting greater market access for its food exports.

27. We remain concerned that Indian negotiators are not demonstrating sufficient flexibility to allow an agreement to be reached. Ambassador Crawford Falconer of New Zealand, the Chair of the agriculture negotiations, recently released a paper detailing the state of play in the talks and highlighting potential areas of convergence. We are somewhat disappointed with the Indian government's reaction to this paper. We believe that Ambassador Falconer has pointed to the "centre of gravity" in the negotiations and that, if a deal is to be achieved, the key numbers will need to fall somewhere within the margins described. India must, of course, have sufficient flexibility to ensure the security of its subsistence farmers, but CBI remains convinced that India could do more. Recently there have been frequent meetings of the G4 (the EU, US, Brazil and India) where there are signs of increased Indian engagement. We urge the Indian Government to demonstrate the necessary flexibility to allow an agreement to be reached.

28. While the DDA remains our top trade policy priority, CBI supports a robust and comprehensive Free Trade Agreement (FTA) with India, but not at the expense of negotiating resources being shifted away from the Doha round. UK business sees real opportunities to improve bilateral trade and investment relations through this Agreement. The FTA should include areas not currently within the WTO mandate, such as regulatory convergence. CBI has produced a detailed position paper on the EU-India FTA, which is annexed for information (*not printed here*).

29. In order to achieve an economically robust outcome that provides commercially meaningful export opportunities, CBI believes that political issues should not be incorporated into the FTA provisions. We note that disagreements over issues such as human rights between EU member states threatened the launch of negotiations, which provoked irritation from India. It will be important for the EU-India FTA to remain focused on trade and investment issues (further detail of CBI's position on this issue is given in our position paper on FTAs, which is also annexed (*not printed here*)). We therefore welcome the recent agreement of the EU member states on the mandates for the EU Commission to begin negotiations with India. However, the key factor will be whether concrete results can be achieved within a realistic timeframe.

Conclusion

28. It is too early to judge fully how Government support, and specifically the new UKTI strategy, have affected the business landscape. In many cases, the increase in resources promised in the UKTI's new five year strategy are only just being allocated and will require time to see results. However, CBI is very supportive of the improved Government focus on India over the last year. There have been many successful initiatives and the various stakeholders are now working together better, to help change perceptions and to alert British business to the opportunities for further trade and investment. We are very pleased to see that the UK-India JETCO is showing some degree of progress, although its full potential has yet to be realised. CBI members have voiced concerns in some cases over the lack of clear objectives, deliverables and time lines for the progress. We believe that there is cause to feel encouraged by the progress of the last year, but we must guard against complacency. Many of the issues of concern to UK business still need to be addressed and resolved. CBI will continue to retain pressure on both governments to deliver key business objectives in a timely and tangible fashion.

6 June 2007

Memorandum submitted by the Directorate-General for Trade, European Commission

INDIA: ONE YEAR ON—
DEVELOPMENTS SINCE THE COMMITTEE'S 2006 REPORT

India as an Economic Partner for the EU

1. Trade and investment is a cornerstone of the EU and India's multidimensional relationship.

2. EU-India trade has grown impressively over the years, from €25 billion in 2000 to €47 billion in 2006 corresponding to an average annual growth of 14%. Trade with the EU represents almost 20% of India's exports and imports and the EU thus as a bloc is India's largest trading partner. Even though India still corresponds to only 2% of the EU's total trade, India is now the EU's ninth most important trading partner ahead of Brazil or Canada.

3. Trade in commercial services has similarly increased at a phenomenal rate by 10% average annual growth. In 2005 India's exports of commercial services to the EU25 amounted to €4.6 billion (up from €3.9 billion in 2004), while the EU25's exports to India amounted to €5.1 billion in 2005 (up from €3.6 billion in 2004). The EU is also India's largest source of foreign direct investment (FDI) with EU FDI amounting to €1,100 million in 2004 corresponding to around 25% of India's FDI.

4. Whilst the expansion of trade and investment between the EU and India is impressive, there are reasons to believe that current levels are below potential: Trade is growing rapidly but remains modest in relative terms. Despite the fact that nearly one out of every six people on the planet is Indian, India currently punches below its weight in terms of share in world trade. India's average applied tariffs have decreased to levels that are now comparable with other countries in Asia but they are still high compared to the EU's tariffs. In particular India's applied tariffs on agriculture are still high and at 37% much higher than that applied by China (15%). At the same time, India represents the only large and growing emerging economy in Asia where the EU remains the leader both in external trade and foreign investment flows. With growth rates above 8% and a population of more than 1bn people, India is on a path to become a global economic heavyweight.

5. It is based on these considerations—economic size and growth, level of protection against EU export interests—that the Commission's Global Europe strategy identified India as one of the partners for our new set of competitiveness driven Free Trade Agreements (FTA).

EU-India FTA Negotiations

6. The Doha Round and the multilateral trading system will remain the EU's overarching trade policy priority not least since it provides sufficient predictability and transparency. But even the ambitious result of the DDA which we are aiming for, can and should be complemented by an ambitious set of carefully chosen FTAs.

7. FTAs, if approached with care, can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation.

8. Negotiations with India were launched in June in Brussels and we have held two additional negotiating rounds since. The 3rd round of negotiations was held in Brussels from 6–11 December. Overall discussions were good and constructive covering all issues to be included into the agreement. These include not only goods, services and establishment, but also non-tariff barriers and issues related to rules and their implementation such as Sanitary and Phytosanitary Standards (SPS), Technical Barriers to Trade (TBT), Intellectual Property Rights (IPR), Public Procurement, Competition and Sustainable Development.

9. We remain vigilant to ensure that no issue{is left behind in the{negotiations{and we move ahead in parallel on all fronts. The final agreement needs to be both comprehensive and balanced across all areas so that it delivers real economic benefits to both sides. At the end the key determinant of success will be the level of ambition within the various chapters.

10. The potential benefits of the FTA have been analysed by independent consultants in advance of the negotiations. The summary of the findings can be found at the following website: http://ec.europa.eu/trade/issues/bilateral/countries/india/legis/index_en.htm

Other FTAs Currently Under Negotiation

11. Besides with India, we are currently also negotiating comprehensive FTAs with Korea and ASEAN. The 5th round of negotiations with Korea took place 19–23 November 2007 in Brussels. Progress has been reached in a number of areas, especially services and investment, and rules. We also remain committed to negotiating and concluding a far-reaching and comprehensive FTA with ASEAN.

12. Negotiations on the trade part of the Association Agreement with Central America got off to a good start. The first round of negotiations was held in Costa Rica in October. The 2nd round is planned to take place at the end of February 2008.

13. Negotiations for the trade part of the EU-Andean Community Association Agreement have started with an encouraging 1st round on scope and objectives in Bogota on 17–21 September 2007. A second round of negotiations was held in Brussels on 10–14 December where further progress was made.

14. The Commission has allocated the resources necessary in order to move all five negotiations forward in parallel.

15. We note that the Committee is also interested in prospects for opening negotiations with Japan. The Commission's trade priorities though remain the Doha Development Round and the ongoing bilateral negotiations. The Commission is not undertaking any "scoping work" on possible negotiations with Japan. The EC is however following discussions about an EU-Japan Economic Integration Agreement (EIA) proposed by the EU-Japan Business Dialogue Roundtable (BDRT) in July. The Commission will look into the conclusions of the feasibility study on an EIA, which European and Japanese business is currently undertaking, once presented next year. We expect such a study to provide a useful contribution on how to deal with the existing barriers encountered by EU business in Japan.

16. As a general comment, the EU and Japan, two major trading partners and strong promoters of the WTO, would have to carefully consider the systemic implications that a bilateral agreement might have.

General Progress on the Commission's Global Europe Strategy

17. The Committee also expressed an interest in hearing about progress in trade-related areas more generally as part of the Commission's Global Europe strategy.

18. The launch of our Global Europe strategy at the end of last year was an important step in European trade policy. Its basic motivation was to look forward to the landscape outside and beyond current Doha negotiations at the WTO and to see trade policy as part of the wider globalisation agenda. To make sure we are addressing the most important challenges and pressures of the global age, and that our trade instruments are fit for that purpose. It set out an agenda for opening the markets that matter most, and for keeping our own markets open, competitive and protected against unfair trade. It is an agenda based on positive reciprocity—reciprocity that opens, not closes, markets.

19. This agenda has already translated itself into concrete initiatives in virtually all areas of trade policy: we are negotiating free trade agreements with Asean countries, India and South Korea; we are reviewing our market access strategy based on a new partnership with Member States and industry; we have published a Green Paper on trade defence instruments; as a result of this consultation we will put forward proposals to adapt trade defence instruments to a globalised world; we have launched an in-depth exercise with the US to tackle transatlantic obstacles to trade and investment; we have set out a vision for our relationship with China and are negotiating a new partnership and cooperation agreement as a result; we have published a list of priority countries for intellectual property rights (IPR) enforcement and set up new IPR dialogues with priority countries; we are currently stepping up our international cooperation in this area by proposing to negotiate an anti-counterfeiting trade agreement between like-minded countries; finally we have proposed a comprehensive review of the single market widening its regulatory reach outside the borders of the EU and ensuring European citizens share the benefits of globalisation through better standards, lower prices and greater choice.

13 December 2007

Memorandum submitted by Intellect

Background and Introduction

Intellect is the UK trade association for the IT, telecoms and electronics industries. Its members account for over 80% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% of UK trade.

Intellect welcomes the opportunity to provide input a year on from the last inquiry. The following paper provides an update on the views of Intellect member companies on continuing trade and investment opportunities with India. All of the issues raised in Intellect's original submission remain current concerns in relation to trade with India. Intellect's original submission is attached below for ease of reference.

Alongside the issues Intellect raised a year ago, a number of new factors have become important relating to the UK's trade and investment opportunities with India. These issues relate to a number of the conclusions that the committee made last year, and are discussed below.

1. *Deeper analysis of impact of India on UK economy*

In its original submission Intellect argued that the UK Government needed to undertake research on the impact of trade with India, in order to counteract misconceptions about the effect of outsourcing on UK jobs and manufacturing. The existence of these misconceptions was one of the committee's conclusions from its initial report, and ties in with the lack of knowledge about the Indian economy that the Committee identified.

This is still a serious issue for Intellect's members, and the situation has not changed since the Committee's initial report. A lack of objective data, which would need to be collated by the Government prevents a full and honest assessment of India's impact on the UK economy and prevents industry tackling the myths surrounding trade with India.

Further, it is the view of Intellect's members that there needs to be detailed research undertaken to allow the UK to properly exploit the opportunities that trade with India presents. To date any analysis on this topic has been relatively general and simple, and has tended to focus on big business, software and call centres. Intellect encourages the Government to undertake more comprehensive studies on a regular basis that look at market segments. For example:

- By vertical/industry (eg the huge healthcare and pharmaceuticals opportunity)

- By geography
- By socio-economic group
- By size of business
- By segment of the public sectors

To move the debate on, and engage more people, the opportunity needs to be fully discussed, and like most good strategies, some choices need to be made about where the UK believe the greatest opportunities for UK-India collaboration are. Policymakers and business leaders need to ask what is it that the UK and India are uniquely (or at least competitively) advantaged to do together. This applies not just in the technology industry, but across the UK economy, and is an area where the Government has an important role to play.

2. *Skills*

Skills shortages within the UK technology industry are well reported. Part of the solution to this problem is creating an understanding of the need to use foreign resources. The use of offshore skills is generally reported negatively; this leads to a missed opportunity to share information, innovation and proven training. The image of India providing low-cost labour is beginning to change but while this remains the prevailing view, the UK will not benefit from the transfer of skills and knowledge between companies, universities or countries. Greater links between UK and Indian educational institutions would allow greater cultural understanding as well as skills, training, knowledge and innovation sharing.

One of the drivers of the skills shortage in the UK is the negative image of offshoring, especially to countries like India. This issue not only creates a negative image of the services side of technology, especially around call centres, but more importantly gives the impression that there will be no jobs in the UK in this sector and discourages people to take up training, degrees or jobs in technology. It is important that this issue is addressed; this would benefit not only the technology industry of the UK but the economy as a whole. Both government and industry have a role to play in addressing this issue.

3. *Promoting the benefits of intelligent outsourcing and offshoring*

For many years UK companies have been offshoring and outsourcing to India. The financial services industry, as an example, has been seen to use India as a call centre base, often causing negative press and customer service reports. Although many of these initial issues have been addressed, the negative legacy remains. Promotion of the benefits of outsourcing and offshoring, and their positive impact on the UK economy, is central to addressing this problem.

As highlighted by the Committee's first report, the perception is that India is a venue for low cost labour. It is, however, of far greater value to the UK technology industry than purely this benefit. In particular, the UK should exploit the development of "knowledge process outsourcing" in India as well as low-end business process outsourcing. If the UK can be seen to be leading the push towards collaborative working, offshoring would not be considered as just having negative impacts on the UK but bringing back new and innovative opportunities.

The Government has a central role to play in promoting the benefits of offshoring and outsourcing. As the committee concluded in its first report, it is important the public agencies providing support in relation to trade with India work in an integrated and effective way to assist UK businesses. The UK should not be afraid to highlight the importance of India to our economy, and the added value the UK derives from outsourcing and offshoring with India. The UK technology industry is at the leading edge of innovation worldwide; in order to maintain this we must embrace and promote practices that have allowed us to reach this position. This includes the use of India as a location for offshoring and outsourcing.

Conclusion

As well as Intellect's initial views on trade with India contained in its submission to the Committee last year, three further issues have arisen that Intellect believes the Committee should consider.

- A lack of objective, segmented, detailed data about the impact of India on the UK economy, and in particular the technology industry.
- The role the negative view of offshoring and the Indian economy generally plays in the skills shortage in the technology industry.
- The need to promote intelligent offshoring and outsourcing as highly beneficial to the UK economy, in particular in order to maintain the UK's technology industry as a global leader.

It is Intellect's view that Government has a significant role to play in addressing, or helping industry to address, all of the above problems.

Next Steps

Intellect looks forward to discussing these issues in greater depth with relevant government departments, agencies and other stakeholders with a view to developing appropriate strategies that reflect the dynamism of the technology industry.

May 2007

Memorandum submitted by Standard Chartered Bank

- Standard Chartered PLC is listed on both the London Stock Exchange and the Hong Kong Stock Exchange and is consistently ranked in the top 25 among FTSE-100 companies by market capitalisation.
- Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1,400 branches (including subsidiaries, associates and joint ventures) in 56 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas.
- As one of the world's most international banks, Standard Chartered employs approximately 60,000 people, representing over 100 nationalities, worldwide.
- Serving both retail and corporate banking customers, Standard Chartered derives over 90% of profits from Asia, Africa and the Middle East.

Summary Of Standard Chartered Operations In India

- Standard Chartered is the largest foreign bank in India, having opened its first branches in Kolkata, India and in Shanghai, China in 1858. The Bank has 15,092 employees, 117 branches and corporate offices in 31 cities. Standard Chartered has 2.1 million retail customers and over 1,000 corporate customers, generating US$817 million in revenue in 2006.
- Scope International is a wholly owned subsidiary of the Group, based in Chennai. Scope provides IT enabled services, including back office processing, software development, system support, transaction processing as well as human resources support.
- India is the bank's third largest market, after Hong Kong and Korea.

Our Aspirations for our India Operations

- To ensure that India is integral to Standard Chartered's aspiration to be the world's best international bank, leading the way in Asia, Africa and the Middle East.
- To partner India in its growth ambitions by providing a comprehensive range of personal banking products and services to its emerging middle class, by offering a full range of traditional and structured finance solutions to its corporate clients and by engaging in the drive to eradicate poverty through development of microfinance initiatives.
- To foster the increasing flows of trade and investment to and from India. Standard Chartered Bank India is itself a successful example of foreign direct investment but it has also helped facilitate almost $2 billion of FDI into India in the last two years. It has also played a leading role in supporting flows of investment from India to the UK and elsewhere. Standard Chartered was the lead arranger in the Tata-Corus acquisition.
- To play a leading role in the community through its corporate social responsibility programmes for the restoration of eyesight, HIV/AIDS awareness, and disaster relief. The Bank sponsors India's largest public participation sports event: the annual Mumbai Marathon.
- To promote continued liberalisation of India's financial markets through dialogue with the Indian authorities and regulators and support for initiatives, such as the proposed EU-India Free Trade Agreement, which may help remove the current barriers imposed on foreign banks.

Challenges Of Operating In India

The banking industry has a crucial role to play in accelerating the development of emerging economies and nowhere is that truer than in India where, for a variety of historical reasons, this sector has been heavily regulated and dominated by government-owned entities. There has been a growing awareness in India that imperfections in the banking market creates barriers to opportunity and increases costs for small and large enterprises. A properly functioning financial market helps to connect businesses with lenders and investors with funds to put into ventures is critical to future success.

Over the past few years, there have been moves by the Indian authorities to address some of the obstacles to development of efficient financial markets. Domestic private banks have been encouraged, and have achieved considerable success since they entered the market after 1994. There have been a series of steps taken to deregulate the market such as a reduction of the statutory liquidity ratio, deregulation of lending and deposit rates; freedom in credit delivery systems; the introduction of prudential accounting norms and allowing entry of private sector banks.

Nevertheless, India remains a challenging market for foreign-owned banks. As noted in paragraph 86 of the Select Committee's report on "Trade and Investment Opportunities with India", there continue to be a series of limits on the ability of those banks to make acquisitions in existing Indian banks and, in some respects, the regulations of the Reserve Bank of India (RBI) on branch regulatory capital and branch authorisation have tightened in recent years. Foreign banks are not allowed to expand their branch or ATM network without prior authorisation from the RBI and in September 2005 a new "Branch Authorisation Policy" extended the definition of a "branch" to include credit card centres and back/administrative offices. Foreign banks now need to submit, on an annual basis, their requirements for all branches, credit card centres and bank/administrative offices and ATMs for the year ahead. This "annual plan" is then subject to extensive scrutiny which involves considerable delays. In scrutinising such applications, the RBI is required to take into account a number of additional parameters including:

(i) the track record of compliance of the bank and functioning in the global markets;

(ii) even distribution of home countries of foreign banks having a presence in India;

(iii) the treatment extended to India bank in the home country of the applicant bank; and

(iv) bilateral and diplomatic relations between India and the home country.

The Indian government has a WTO commitment to approve 12 new branch licenses for all foreign banks each year. In recent years that figure has sometimes been exceeded but the total cap has not been increased to reflect the growing scale of the Indian banking market or the degree of interest shown by existing and potential foreign bank investors. There are over 30 international banks operating in India.

In addition, foreign banks face a variety of other barriers including a discrimatory rate of tax (at rates of 48% compared to 35.7% for domestic banks), access to government public sector undertaking deposits and access to local currency subordinated debt. There are also difficulties implementing the Indian government's priority sector lending policies, which require the banks to undertake direct lending to specific sectors despite the limits on their branch networks.

The Indian government's "road-map" for banking liberalisation anticipates that from April 2009 there will be a removal of some of the restrictions imposed on wholly-owned subsidiaries of foreign banks so that, in principle, they will then be dealt with on a par with domestic banks. Subsidiaries will be allowed to list and dilute their stake so that at least 26% of the paid-up capital of the subsidiary is held by resident Indians. Foreign banks may be permitted, subject to regulatory approval, to enter into merger and acquisition transactions with any private sector bank, subject to an overall investment limit of 74%. No details of how this plan will be implemented have yet been announced.

Domestic Pressures For Liberalisation

A growing number of commentators have pointed to the need for greater clarity over the scope and pace of market access liberalisation for foreign banks. Some of these pressures are domestic, and some external.

Domestically, there is growing realisation that over-regulation and restrictions on foreign investment may be impeding the ability of the banking industry in India to respond to the needs of a rapidly-growing economy. In March 2006, Prime Minister Manmohan Singh outlined his ambition for Mumbai to become not only a regional but a global financial hub, not unlike Shanghai. Mumbai has obvious advantages as a financial hub; centrally placed between Tokyo and New York to take advantage of good time zone trading, and strong cultural links, with the lowest cost of operations in the world.

In April 2007, a High Powered Expert Committee (HPEC), consisting of 15 senior Indian experts published a 280–page report on how to develop India's financial services sector and Mumbai as an international financial sector. The report made 48 different recommendations, including a proposal to accelerate the pace of market liberalisation, fully opening up banking, insurance, securities, legal and the accountancy sectors to attract first class international firms without any hindrance. It remains to be seen whether the report's recommendation will be implemented.

External Pressures For Liberalisation

India is a signatory to the WTO's General Agreement on Trade in Services and has made a limited number of commitments in the banking sector (such as the binding of the commitment to approve 12 new bank branches a year). In the current WTO Doha Development Round, India has stated that it supports an ambitious outcome to the negotiations in the services chapter but no specific commitments on banking have yet been tabled.

India has also reached a number of bilateral agreements with third party trading partners for liberalisation of trade. At least one of these agreements, with Singapore, has included provisions on the national treatment of banks from each country. But these concessions have been limited to no more than three banks on either side. British banks with significant investments in India and Singapore are not, therefore, beneficiaries.

On 23 April 2007, EU member states ratified a proposal by the European Commission for an EU-India free trade agreement which would cover trade in services. Standard Chartered Bank strongly supports this initiative which could, if successful, fundamentally alter UK-India trade and investment relations. The Bank argues that such an agreement should focus on improving economic relations and opening up markets rather than focusing on broader political, social or environmental issues which are the subject of discussions in other established fora.

UK India Relations

In their report of 13 June 2006, the Select Committee recommended that the UK Government should encourage the Indian Government to liberalise fully the service sector and strongly urge the complete opening up of the financial services market in India.

Standard Chartered Bank strongly supports this recommendation and is pleased to note that it has been followed up in a number of ways. Agreement was subsequently reached on the establishment of a financial services working group of JETCO which met in New Delhi in January 2007. Standard Chartered Bank participated in those discussions with Indian counterparts in the financial services industry and will continue to support this new dialogue. The Bank was also represented on the business delegation which accompanied the Secretary of State for Trade, Alistair Darling, and the Chancellor of the Exchequer, Gordon Brown, on their visit to India in January 2007. Standard Chartered is an active participant in bilateral contacts organised by IBPN, ISFL, the City of London Corporation and is a member of UKTI's Financial Services Sector Advisory Board which recently considered a new strategy for the India market.

Conclusion

The UK should have natural advantages in trading with India; it has strong historical and cultural linkages with India and a prosperous 1.3 million population living in the UK. Standard Chartered, as the largest foreign bank in India would like to see the UK build stronger trading links with this economic giant. By continuing to build stronger links between the UK and India, facilitating India's growing business ties with the rest of the world, by providing opportunities for Asian students to learn and work in the UK, and most importantly by throwing its weight behind the EU-India FTA, the trading relationship between the UK and India will prosper.

June 2007

Memorandum submitted by Indo British Partnership Network (IBPN)

The purpose of the submission is to give the Committee:

A view on where the UK stands in its commercial objectives for India.

Input on what business feels should be done to achieve more.

View on what is and is not working in the Government's actions on behalf of business.

A quick overview of what the IBPN is doing/is planning to do to meet these objectives.

The Trade and Industry Select Committee recommended in its 2006 report " . . . *that a decision [be] taken to position the IBPN as the leading player for the private sector in the UK; it should become the de facto Indo-British Chamber of Commerce and so the natural voice of commerce in relation to Indian Trade and Investment issues*" (Source: Para 5 Conclusions and Recommendations)

With this resounding endorsement the TISC report gave increased impetus to the IBPN's mission of increasing bilateral trade, business and investment between India and the UK. The last year has been very significant for changing UK-India relationships and the growth of the IBPN. While the figures show that Indian investment into the UK is growing rapidly (India is now the second largest investor into Britain in terms of the number of projects, with Tata Steel's acquisition of Corus bringing India into the big league in terms of value in 2007), the real face of the change has been the resurgence in interest and activity between the two countries. Not only have we seen ministerial engagement at the highest level but also increasing sizes of business delegations (January 2007 saw the largest ever, a 150-strong business delegation to India led by the IBPN's Chairman, Lord Bilimoria), growing engagement of UK educational institutions with India, the opening of the City of London office in Mumbai and the success of the recent Indian International Film Academy awards in Yorkshire.

Overview

The IBPN believes that the potential for further and deeper trade relationships with India is definitely there—and Britain, perhaps more than any other country, is in a position to partner with what India has to offer.

India and Britain have a long and close relationship, and this is only made stronger by our shared language and most importantly our shared values—democracy, the rule of law, freedom of speech and a free and vibrant press in both countries.

Britain has been supportive of India's aspirations to play a more important role in the international arena. This extends to areas beyond trade; the Department for International Development actively supports the Government of India in its efforts to achieve India's poverty reduction objectives, to the tune of £250 million a year across four states in India.

Britain is the third largest foreign direct investor in India in terms of value of investment, and we are also India's fourth largest trading partner. However the world has woken up to India and competition is fierce. We still have a long way to go to ensure that we meet Prime Minister Brown's aims of doubling exports to India by 2010 and quadrupling them by 2020.

The good news is that the British business community has started to take note of India. This however, is relatively recent—it took Britain quite a long time to fully appreciate the opportunities it offered. The report produced by this Select Committee last year was in fact very timely in warning that Britain risked missing the "last train" in India. Things in the last year have improved a great deal in this respect. British business has definitely woken up to India. IBPN Chairman, Lord Bilimoria is regularly called upon to brief business visitors, regional authorities and minsters who are visiting India. They come back and share with us their experiences and discuss opportunities to further business links and build new ones. Business relationships are being built and getting stronger through ministerial visits and regular business delegations—there is real momentum building.

UK investment into India remains high; Vodafone's acquisition of Hutch remains one of the largest global M&A deals in 2007. Recent reports suggest that Vodafone plans to invest two billion dollars in India this year to expand its business. However, behind these headline deals UK investment in India is not growing as rapidly as Indian investment into the UK. India is now the second largest investor into Britain in terms of number of projects. Tata's £6.2bn takeover of Corus and the recent announcement from United Breweries announcing the takeover of Whyte and Mackay should bring India into the big league of investors in terms of value in 2007.

The perception of India is changing rapidly in the minds of British business, although once we start to look at SMEs the conversion from awareness to intent to action will need much work by all stakeholders. The IBPN needs to continue to raise its profile in the regions, especially though the RDAs and their agencies, and this will require resources, hard work, and patience.

Increasingly we can see local and regional conferences on India being sponsored by banks and professional services companies, and universities are starting to host events for students and local businesses. The numbers attending are increasing and while the final outcomes are still not truly action-oriented, the trends are in the right direction.

More case studies and serious analysis are needed to highlight the case for further involvement. The headline materials being used to promote greater interaction are now too general to attain this next stage. This is an ideal function for a future, expanded IBPN, and with our increased funding such a role is possible. India: New Trends

The perception of India is that it is still very much an IT, business process outsourcing and software destination, while China is the manufacturing and export power. But the truth is that India has a huge manufacturing base in its own right, and there is going to be a movement of people away from the rural areas, into the cities, as more industrial jobs are created.

India's workforce in the 20–60 age group is forecast to increase by 263 million by 2050, whilst China's will grow by 94 million. Meanwhile, in European countries such as the UK, we will be experiencing a decline in our working age population.

During a recent presentation made by Jim O'Neil, the head of Global Economic Research at Goldman Sachs, Tushar Poddar (Chief Economist, India at Goldman Sachs) addressed the issue of the emergence of new centres of economic activity in less well known states and cities. He argued that India's growth potential and productivity would accelerate for various reasons, including the Golden Quadrilateral (the linking by road of Delhi, Kolkatta, Chennai and Mumbai) putting less well-known states and cities on the business map. This will create new centres of economic activity and open up new regions for outside investment and trade.

TRADE AND LIBERALISATION

We recommend that the UK Government continue to press India for reductions in all high duty levels while offering its full assistance in arguing within the EU for a position in the world trade talks, which offers the liberalisation of EU and US markets that India has a right to expect, especially with regards to agricultural products. (Paragraph 41)

The Select Committee is right to call attention to the farming sector; in the words of India's Finance Minister, Mr Chidambaram, if there is one thing that can derail India's progress, it is agriculture.

Although two-thirds of the population is dependent on agriculture, it generates only 20% of India's GDP. To make matters worse, the agricultural growth rate has actually been declining over the last two decades to just over 2%—half of what it was in the 1980s. The booming manufacturing, services and IT sectors have created a huge and growing middle class, but over 600 million people are still living in rural areas.

At the moment the WTO Doha development round talks are stalled. The West can be accused of preaching free trade and practicing protectionism: while a shocking 300 million people in India still live on less than $1 a day Europe subsidises every cow to the tune of $2 a day. That is a reality that we simply cannot ignore.

Even for those familiar with India, the sight and reality of the abject poverty hits hard. However, the Indian government is committed to the principle that economic liberalisation should lead to economic empowerment, especially for the most marginalised. Recently, while addressing the Annual General Meeting of the Confederation of Indian Industry, Dr. Manmohan Singh presented Indian business with a "Ten Point Social Charter", a proposal to make India's growth more inclusive.

The charter called for industry to show a healthy respect for its workers; to make corporate social responsibility a corporate philosophy; to be proactive in affirmative action in providing jobs to the weaker sections of society; to resist excessive pay packages for top management; to invest in training people, not engage in forming cartels; to promote enterprise and innovation; to invest in environmental friendly technologies; to fight corruption and to promote socially responsible media.

Dr. Singh spoke about the government partnering with industry in creating wealth and prosperity, invoking Mahatma Gandhi's concept of "trusteeship," and industry having a responsibility to its employees and to the community. He also spoke of the difference that this public-private partnership has made already.

In his own words: "It is not by accident that the average rate of economic growth has been 9% in the last three years. It is not by chance that the savings rate of the country is 32% of GDP and the rate of investment has touched an all-time peak of 35% of our GDP. It is not by luck that the manufacturing sector is booming. It is not by good fortune that inward FDI is close to twenty billion dollars now. It is not by a miracle that India today in absolute terms is a trillion dollar economy."

India is not blameless when it comes to restrictive trade practices, such as the barriers placed before foreign lawyers wishing to practice in India; however, this system is set to change in the next year according to an announcement by the law minister (see below).

Stories of the old "licence raj" are well-known, but it is the enormous opportunities, both in India and for India, that characterise the country today: India is facing its challenges, and is aligned in its hunger for growth, liberalisation and progress. With the combination of the consumer (ever hungry for choice), industry (which once wanted protection, but now wants liberalisation) and government all aligned as being pro-reform, there is no turning back.

The liberalising transition of India—for a long time a closed society—has not been easy or swift. India is a vast country: there are 35 different states and union territories, 18 official languages, 7 major religions, around 750 elected parliamentarians in the centre and over 4,000 members of state legislatures and two million elected individuals at the grassroots. Change in such a system is not easy; the country's swift reforms are therefore all the more remarkable.

India began the liberalisation process in 1991, and began to open its markets to the world. Today, according to a recent study by A. T. Kearney, India is perceived as the second most attractive destination for foreign direct investment, eclipsing even the United States. Meanwhile, Britain retains its top-flight appeal and is still in the top four.

Globalisation has taken hold in India. India politically is becoming increasingly outward-looking and engaged on the world stage, and Indian companies are increasingly becoming truly global companies.

Although barriers to outside investment in India remain, there are significant examples of investment both into and from India. The phenomenal growth that India has witnessed over the last decade has propelled Indian companies to make their mark globally.

But this growth has not come easily: for many years—even after liberalisation—Indian companies were held back by the Indian government's policies. When the process of reform took hold, we began to see the first signs of the new global India. We are confident that recent high-profile deals are merely a precursor to a flood of similar activity in years to come.

The Lord Mayor of the City of London recently went on a successful trip to India recently accompanied by a delegation of 41 people based around the financial services sector. The delegation visited Delhi, Calcutta and Mumbai, meeting with cabinet ministers including Kamal Nath, PC Gupta, Dr. Montek Singh Ahluwalia and the Governor of the Reserve Bank as well as leading industrialists. There were a number of positive results and good links were formed to promote the City of London as a partnership for India. Several important topics were discussed, including the development of the financial services industry and how Mumbai can build a global financial centre. During the course of this visit the City of London office in Mumbai was formally opened.

Services, Skills and Mobility

India's major source of competitiveness, and its major market, is its people—ironic, as 1980s critics often said that India's biggest *problem* was its population. Today, India's population of over 1 billion is turning out to be its greatest strength. And that populace is a young one: 52% are below the age of 25. The median age will remain at 25 even as late as 2025.

These statistics show India's enormous potential, but it also speaks to a skills shortfall if those young Indians are not educated to globally competitive standards. Britain has the talented workforce and the institutions to boost the development of high-skill industries in other countries, ranging from world-beating universities and colleges to the unmatched financial services expertise of the City.

There are, however, several barriers to gaining and applying this knowledge for the benefit of India and her citizens. The Select Committee noted two of those limits in its earlier report: one from India, (which has announced reforms this year) and one from Britain.

We believe a liberalised legal service market would bring positive benefits to the legal systems of both countries. However, Indian Government restrictions on domestic law firms are stifling the ability of India's law firms to become the type of companies, which, we believe, would be more than able to compete against global law firms, should the market for legal services be liberalised. Any resultant gains in the efficiency of Indian law firms could only be beneficial to Indian commerce. We recommend that the UK Government, through the Joint Economic and Trade Committee (JETCO), urges the Indian Government to provide a conducive regime to its domestic law firms. The UK Government should also press the Indian Government to commit itself to a timetable for the liberalisation of the legal services market. (Paragraph 85)

Foreign lawyers are unable to practice in India at present. However, on a recent visit the Indian Law Minister, Hansraj Bharadwaj, said that he was optimistic about the prospect of foreign law firms being able to work in India, and said he thought this was achievable before the end of the year.

Overseas students at Scottish higher education institutions are allowed to gain work experience for two years after graduation. The Government proposes that in England, they should be allowed to work for one year after graduation. Education policy may well be a devolved matter but immigration policy is not. Allowing overseas students to remain to work in the UK following a period of study constitutes the issuing of a work permit and is therefore a matter for the Home Office, no matter how long a period of time is involved. The Scottish system must be brought into line with that of the rest of the UK as a matter of urgency and we believe that two years is the minimum time that should be given to all overseas students of a particular calibre under any transitional scheme between studying in the UK and pursuing a full time career here, or returning to their home country. (Paragraph 145 and 146)

This is an ongoing issue that has repeatedly come up at events such as meetings of the Asia Task Force and the UK-India Roundtable. This issue has also been raised in the House of Lords in a statement by Lord Bilimoria. We note that even two years is not enough for some professional qualifications, which can require three years or more. There is a particular need for qualifications in the financial services field; these should be more readily available.

The IBPN's Work: Past and Future

Over the last year the IBPN has organised and supported a number of events to promote trade and investment opportunities with India amongst the UK business community. The events (introducing visiting Indian Ministers, State Delegations, entrepreneurs and a presentation by the Goldman Sachs Economic Research Group on India's rising growth potential) have reached out to business leaders in many industries. In June, the IBPN hosted a Global Business Forum in Leeds in association with IIFA and FICCI (one of two apex Indian chambers of commerce) whereby we were able to reach out to more than 500 businesses in and around the region.

One indication of the increase in reach that we have generated in the short time we have been in existence is the scale of the business delegations we have taken to India over the last two years.

In 2006 Lord Bilimoria led the first IBPN business delegation: that year, 30 UK business representatives accompanied the then-Minister for Trade, Ian Pearson. In January 2007, a second IBPN business delegation accompanied then-Secretary of State Alistair Darling and then-Chancellor Gordon Brown on their first visits to India. This year, however, the delegation that Lord Bilimoria led was five times larger—with 150 people it was the largest business delegation the UK has ever sent to India.

With our close links with the Indian High Commission, the Indian government, the Confederation of British Industry, the British Chambers of Commerce, the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry and individual business leaders we are able to offer British businesses access to Indian policy makers and businesses to deepen their understanding of the opportunities in India. Furthermore we have managed to do all of this on a small budget of £75,000, a team of two and an active non-executive board. Now, with the enhanced policy and funding support we have received from the government, we are confident that we can do even more.

In addition to the invaluable networking role played by IBPN in order to strengthen and develop trade relations we believe that our increased funding will allow us to establish an organisation that provides leadership in Indo-UK relations. We will be focusing on a few key areas in this financial year:

I. Integrated Support Services—Last year's TISC report identified that 'there is a large number of UK bodies seeking a role in trade and investment with India. Too often the result has been duplication and competition'. In order to provide a plan to rationalise this duplication and provide a single face, we are carrying out a study to map the landscape of support services for Indo-British trade. We are working with regional development authorities and other organisations to understand which support services are available and how they are delivered. In addition to the UK organisations, we have interacted with Indian "users" of such services. The feedback we have gathered suggests that competition and duplication by UK agencies in India is at best creating confusion, and at worst creating a negative perception of the UK's ability to approach India in a joined-up way. The outcome of our study will be a proposal for how the IBPN can work with the RDAs and other agencies to synchronise efforts, provide real value to UK businesses and ensure that best practices are shared across regional groups. Rather than becoming direct competitors, the IBPN sees its role as service providers for RDAs by working closely with UKT&I.

II. The second and important area of our focus will be what we call "Next Generation" India. We believe that UK needs to tie into "modern" India and have devised 3 programmes to meet this target

(a) A social networking facility for all young people working in "India" teams across the country. Often of South Asian origin, these young people have been expressing a need to come together, share work experiences in India and learn from each other. Using the web and a series of events we will create this network thus enabling a new group of Britons to engage with the IBPN and engage both government and business leaders with new ideas and thoughts. This programme was developed with the knowledge that the success of the US-India relationship was based on the Indian diaspora, energised within areas such as Silicon Valley. We will also link into groups such as the CII's 'Young Indians' initiative.

(b) In association with major British Universities we intend to establish an internship programme allowing UK MBA students to spend a period of work experience with major Indian firms. We believe that such a programme will build a foundation of mutual understanding and seed long term networks between the two countries

(c) A programme to raise the profile of the opportunity for UK venture capitalists to invest in early stage businesses coming out of India. We will work with IBPN board member Alpesh Patel to create a business plan competition that will showcase the best ideas from India and offer these as live investment opportunities. This will provide a platform to demonstrate untapped opportunities to the UK investor community. Alpesh is well placed to lead this project through his role as a UKTI Global Entrepreneur Programme "Deal-maker". On his visits to India he looks for bright entrepreneurs, scientists and innovators to match with UK investors.

Finally, we are keen to commission research in order to deepen the understanding of UK India trade relations and promote new thinking in the area. Here we are working with think-tanks such as DEMOS and organisations such as Freshminds, the Indian business centres in the business schools of the universities of Oxford and Cambridge and the Rajiv Gandhi Centre at Imperial College London.

In addition to the above we are talking to a range of businesses to understand their India needs so that practical support can be provided by the UKIBC to complement the services offered by UKT&I both in the UK and in India.

We believe that through thought leadership, the building of new models of engagement and practical business assistance we will be able to bring focus to UK's India engagement and greatly enhance trade and investment between these two great nations.

July 2007

APPENDIX

DIRECTOR'S REPORT

Introduction

2006–07 has been a very significant year for the IBPN.

In June 2006 the House of Commons Trade and Industry Committee report on India confirmed the Government's recognition of the IBPN as the UK's lead body in promoting and developing Indo-British trade relations and recommended that IBPN should be, *"the de facto Indo-British Chamber of Commerce"*.

In October 2006, Lord Bilimoria, Chairman IBPN, chaired the UK-India Prime Ministerial summit that for the first time brought together top tiers of Government, business and partner organisations to develop further the countries' two-way investment relationship.

In November 2006 the Board met for its first ever "away day" to discuss a strategy to take the IBPN forward. A business plan was produced as a result of this meeting and a funding application was made to increase the funding that IBPN receives.

In January 2007 we were delighted when the former Chancellor, Gordon Brown, announced that the Government intended to boost its annual funding of the IBPN to £1 million, a significant increase on its previous level of £75,000. It is intended that government funding will be matched by private sector sponsorship, membership fees and the provision of charged services.

Another key achievement this year has been that FICCI and CII have come together on the IBP board in India allowing us to engage with a cross section of industry in India.

Business Review and Principal Activities

Board

The IBPN board is made up of 21 members and has been formed comprising of representatives from leading UK companies from the fields of finance, healthcare, accountancy, business and legal services, tourism, the creative industries, education and other affiliated organisations including the Confederation of British Industry (CBI), International Business Link and the Commonwealth Business Council (CBC).

Representatives of UK Trade & Investment, the Indian High Commission, the Confederation of Indian Industries, Federation of Indian Chambers of Commerce and Industry, British Chambers of Commerce, Lord Mayors's Office and the Mayor's Office also attend selected board meetings as observers.

Secretariat

Asia House have continued to manage the Secretariat of the IBPN. The Chief Executive, Stefan Kosciuszko (supported by Programme Manager Abha Thorat and Programme Assistant Saeqah Kabir) manage the secretariat including the organisation of events, contribution to policy papers, management of the website and membership activities. The Secretariat works in close cooperation with the South Asia Unit at UKTI.

Membership

IBPN membership is thoroughly inclusive and currently offered for free regardless of size and industry, all British based and Indian companies, entrepreneurs and individuals who are interested in trade, business and investment between the UK and India are eligible for membership.

In its second year of operation the IBPN has over 700 members via the efforts of the secretariat, the Board and the portal. Membership interest now comes from varied sources including creative industries, banks, law firms, SMEs and Indian companies visiting to do business in the UK.

Events and Activities

The IBPN secretariat organizes a board meeting bi-monthly with visiting expert speakers. These meetings have been held at Asia House, the London Stock Exchange, the Foreign & Commonwealth Office, BNP Paribas, Olswang, Mansion House and the DTI/UKTI offices. This year we have had presentations and briefings from

— The Lord Mayor, Sir David Brewer and his accompanying business delegation on their official visit to India (April 2006)

— Mr Marios Maratheftis, Economist from Standard Chartered Bank on the overall economic trends in the world and their effect on India in particular. (June 2006)

— Mr John Dunsmure, Managing Director, British Chambers of Commerce Enterprises Ltd on BCC's plans for India. (August 2006)
— Mr Sonjoy Chatterjee, MD& CEO ICICI Bank London on the growth of ICICI Bank in the UK and his role as Chairman of the "India Group" a private sector alliance of India's largest corporates in UK and Europe. (October 2006)
— Rt Hon Richard Caborn, MP, Minister for Sport on his trip to India (December 2006)
— Mr Jitesh Gadhia, Managing Director, ABN Amro Bank on the Tata Corus Transaction (Feb 2007)
— Sir Brian Bender, Permanent Secretary at the Department of Trade & Industry on DTI and their support for the IBPN (March 2007)
— Ms Kirsten Bound of the think-tank DEMOS on the "Atlas of Ideas" -an 18-month study of science and innovation in China, India and South Korea, with a focus on new opportunities for collaboration with the UK and Europe. (April 2007)
— Mr Ian McCartney, MP Minister of State for Trade, Investment and Foreign Affairs on his trip to India and UKTI's support for the IBPN (April 2007)
— Mr Philip Bouverat, Director, JCB on their India operations (June 2007)

The secretariat has also organised a number of high profile events in the last year, including:

— IBPN and ASSOCHAM round table meeting at Asia House, 19 May 2006.
— Luncheon with the Indian Minister for Communications & Information Technology, Mr Dayanidhi Maran, 14 July 2006. This event was sponsored by Bharti Group.
— IBP/IBPN Round Table Meeting at Lancaster House, 27 June 2006.
— UK-Gujarat Round Table with a visiting delegation of business leaders from Gujarat in association with FICCI, 6 October 2006. This event was sponsored by BG Group.
— Lord Bilimoria, Chairman IBPN chaired the India—UK Investment Summit, 10 October 2006 in which Prime Minister Tony Blair and Dr. Manmohan Singh participated.
— Round Table with the Chief Minister of Haryana Mr Bhupinder Singh Hooda and meetings with CII business delegation, 16 October 2006. This event was sponsored by JCB.
— Luncheon with Deputy Chairman of the Planning Commission, Dr Montek Singh Ahluwalia, 31 October 2006. This event was sponsored by UBS Investment Bank.
— CEOs luncheon with Indian Finance Minister, P. Chidambaram, 29 January 2007. This event was sponsored by Goldman Sachs.
— Networking session for Confederation of Indian Industry's (CII)'s Information Technology/ Information Technology Enabled Services (BPO) SME delegation in association with TiE UK, 16 March 2007.
— Luncheon meeting with Indian Minister for Commerce and Industry, Mr. Kamal Nath, 4 May 2007.
— Business Forum with Mr Shivraj Singh Chouhan, Honourable Chief Minister of Madhya Pradesh, 11 May 2007.
— Luncheon with an Indian Business Leader (Naresh Goyal of Jet Airways) and focus on Aviation, 16 May 2007.
— IIFA FICCI Global Business Forum and dinner, 7 June 2007 held during the IIFA Weekend in Leeds.
— FICCI IBPN Networking Breakfast, 8 June 2007.
— Briefing for IBPN Members on the latest BRICs report by Goldman Sachs Managing Director and Head of Global Economic Research, Jim O Neill and Chief India Economist, Tushar Poddar, 15 June 2007.

IBPN has also supported a number of other events including "India Calling" in association with the Indian Merchants Chamber (October 2006), and "Doing Business with India" seminar organised by Economist Conferences (Feb 2007).

IBPN continues to work in partnership with government and industry, including the Confederation of British Industry (CBI), British Chambers of Commerce (BCC), Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Commonwealth Business Council (CBC), Lord Mayor's Office and the Indian Merchants Chamber (IMC), to deliver the agenda of increasing trade, business and investment between Britain and India both ways.

The IBPN works closely and interacts on a regular basis with the Indian High Commission in the UK and the British High Commission in India. The IBPN also continues to support senior visitors to India, the Lord Mayor Alderman John Stuttard, South East England Development Authority (SEEDA) and Baroness Ashton, Minister, Department for Constitutional Affairs. The IBPN was also represented by a Board Director (Graham Ward) accompanying the Lord Mayor as part of his official business delegation.

The IBPN was very proud in June 2006 when its chairman, Karan Bilimoria, was appointed to the House of Lords as one of seven figures recommended to be non-party political peers. Lord Bilimoria continues to be a member the UK-India Round Table and Chancellor Gordon Brown's Asia Task Force.

JETCO

The JETCO process given its business focus remains integral to the IBPN agenda. Working Groups have been established under JETCO that are business driven and perform an important function under the overall JETCO process, namely that of identifying opportunities for enhanced cooperation in the key areas of agri-business, healthcare, high-technology, infrastructure, legal services, accountancy, financial services and intellectual property rights. Following Board members are members/chairs of these working groups:

- Graham Ward: Chair, Accountancy Task Force and Member of the Financial Services Group
- Ken Hunt: Member of the Agribusiness Group
- Chris Francis: Member of the Healthcare Group
- Julian Stretch: Chair of the Hi-tech Group
- Martin Harman: Member of the Infrastructure Group

IBPN's Chairman led the largest ever 150 strong senior UK business delegation drawn from a number of industry sectors to accompany Alistair Darling, Secretary of State for Trade and Industry, to India in January 2007 to attend JETCO, Ministerial and business meetings in Delhi and Mumbai and the CII Summit in Bangalore. In April 2007 the IBPN Secretariat brought together, for the first time, all UK chairs/co-ordinators of JETCO working groups to share best practice and common issues between groups and look for synergies and linkages into the IBPN. The IBPN continues to work with the JETCO Groups and UKT&I to meet their objectives and pursue common goals.

Website

The website portal continues to be a primary source of new membership and information dissemination. New features were added in the course of the year to make it an effective PR tool for the growth of the IBPN and its membership, be the one stop shop for companies wishing to engage with India, provide news/event listings and more comprehensive information and serve as an enhanced networking tool for members. In the last twelve months (April 2006–March 2007) 700,000 hits were made to the website and this level of interest has continued.

Future Prospects

The IBPN is currently in the process of re-branding. It has also hired its first Chief Executive and will be restructuring its board and moving to its own offices that have already been obtained.

The IBPN will provide business advisory services for all British companies wishing to trade with India and for Indian companies wishing to invest in the UK. It will continue to contribute to policy formation at the highest level and to the Joint Economic and Trade Committee (JETCO) process.

The IBPN will also continue to operate as a membership organisation for companies, organisations and individuals interested in working with India, by organising events and delegations to take the Indo-British relationship forward. It will raise private sector funding from sponsorships, membership fees and provision of services.

Its regional representatives will work alongside UKT&I officials in the regions and in India alongside officials of the UK High Commission there.

IBPN Board

Chairman

Lord Bilimoria CBE, DL, Chairman of Cobra Beer

Board of Directors

- The Hon Apurv Bagri, Managing Director, Metdist
- Mrs Sandra Brusby OBE, Chief Executive Officer, Link International Business Solutions
- Mr Gautam Dalal, Partner, KPMG
- Mr Chris Francis, CEO, Cardionetics
- Mr Anthony Good, Chariman, Cox & Kings
- Mr Martin Graham, Director of Markets, London Stock Exchange
- Mr Toby Greenbury, Partner, Mishcon de Reya
- Mr Martin Harman, Chariman, Pinsent Masons
- Mr Barry Humphreys, Director of External Affairs & Route Developmen, Virgin Atlantic
- Ken Hunt OBE, Business Advisor, IBPN
- Dr Mohan Kaul, Chief Executive, Commonwealth Business Council
- Mr Richard Meddings, Group Finance Director, Standard Chartered plc
- Mr Alpesh Patel, Managing Director, Agile Partners Asset Management Limited
- Mr Andy Scott, Director, International and UK Operations, Confederation of British Industry
- Mr Julian P Stretch OBE, Business Advisor, IBPN
- Ms Judith Unwin OBE, Head UK and Nordic Export Finance, BNP Paribas
- Ms Parminder Vir OBE, Business Development Director, Ingenious Media Investments Ltd
- Dr Shai Vyakarnam, Director, Centre for Entrepreneurial Learning, University of Cambridge
- Mr Graham Ward CBE, Senior Partner, Global Energy & Utilities, PriceWaterhouseCoopers
- Mr Richard Wolff, Director—International and UK Outlet, Marks & Spencer

Memorandum submitted by UK India Business Council

Background to UKIBC—an Evolution of the Indo British Partnership Network

UKIBC is providing this supplementary memorandum, building on the IBPN's earlier submission to the Committee. This paper sets out the background to the evolution of the UKIBC from the IBPN.

The origins of the UKIBC date back to 1993, two years after India began liberalising its economy, and the creation of the Indo-British Partnership Initiative, agreed by the prime ministers of both countries.

The UK and India, of course, have a long and close relationship, but with liberalisation, changing and enlightening of policy by the Indian Government and the dawn of globalisation, the opportunities for joint trade began to accelerate.

Our shared language and most importantly our shared values—democracy, the rule of law, freedom of speech and a free and vibrant press in both countries—helped nurture and grow many business relationships.

And it was the IBP, picking up on this new and invigorating economic landscape, which paved the way for many UK companies to enter the Indian market.

As the global economy changed and the Indian market changed, so too did the IBP, evolving into the Indo-British Partnership Network (IBPN), which was ultimately incorporated as a private limited company in April 2005.

The IBPN offered membership regardless of size and industry, to all British based and Indian companies, entrepreneurs and individuals who were interested in trade, business and investment between the UK and India.

Membership interest came from varied sources including creative industries, banks, law firms, SMEs and Indian companies visiting to do business in the UK and swelled to more than 700.

Shortly after the IBPN becoming a limited company, the governments of both the UK and India took another great step forward together when they launched—in New Delhi—the India-UK Joint Economic and Trade Committee (JETCO).

At that time, annual bilateral trade between our two countries had grown to more than 10 billion US dollars. JETCO was to build on that and open up even more opportunities.

The IBPN would channel these opportunities through to its membership and facilitate ways in which their potential could be fulfilled.

In June 2006 the House of Commons Trade & Industry Select Committee (TISC) report on India confirmed the Government's recognition of the IBPN as the UK's lead body in promoting and developing Indo-British trade relations.

TISC recommended: " . . . that a decision [be] taken to position the IBPN as the leading player for the private sector in the UK; it should become the de facto Indo-British Chamber of Commerce and so the natural voice of commerce in relation to Indian Trade and Investment issues"

And in October last year, Lord Karan Bilimoria, Chairman of the IBPN, chaired the UK-India Prime Ministerial summit that, for the first time, brought together top tiers of Government, business and partner organisations to develop further the countries' two-way investment relationship.

Last November the IBPN Board met for its first ever "away day" to discuss a strategy to take the IBPN forward. A business plan was produced as a result of this meeting and an application for increased funding was made to Government.

In January this year, former Chancellor, Gordon Brown, announced that the Government intended to boost its annual funding of the IBPN to £1 million, a significant increase on its previous level of £75,000.

And bringing the story right up to date, the IBPN has now evolved into the UKIBC with a much more ambitious and direct set of objectives and a clear role as the focal point for all bilateral trade opportunities. It is intended that this new level of Government funding will be matched by private sector sponsorship, membership fees and the provision of charged services, so that more and better opportunities can be researched and presented.

UK India Business Council

The UK India Business Council opened its offices at Millbank on 21 September 2007. The UKIBC has hired its first Chief Executive, Sharon Bamford, and is in the process of restructuring its board. It will provide consultancy services for all British companies wishing to trade with India and for Indian companies wishing to invest in the UK. It will continue to contribute to policy formation at the highest level and to the Joint Economic and Trade Committee (JETCO) process. The UKIBC will also continue to operate as a membership organisation for companies, organisations and individuals interested in working with India.

UKIBC'S Mission statement is as follows:

> The UK INDIA Business Council ("UKIBC") is the lead organisation supporting the British Government in the promotion of bilateral trade, business and investment between the two countries.

UKIBC will seek to play an influential role in creating and sustaining an environment in which free-trade and investment flourishes. A key objective in this regard will be the highlighting, and dismantling, of bureaucratic and regulatory barriers to entry.

Through the facilitation of partnerships, and with the support of an extensive network of influential corporate and individual members, UKIBC will provide the resource, knowledge and infrastructure support vital for UK companies to make the most of emerging opportunities in India.

In addition to the invaluable networking role played by IBPN set out in the earlier submission, in order to strengthen and develop trade relations we believe that our increased funding will allow us to establish an organisation that provides leadership in Indo-UK relations.

An element of this leadership will be to understand and develop the somewhat complex and inconsistent support mechanisms throughout the UK. Early discussions have already taken place to provide strategic leadership for intermediaries throughout the UK.

In this financial year, we will be focusing on the few key areas set out in the IBPN's submission (please see that paper for further detail)

1. Integrated Support Services.
2. "Next Generation" India.
3. Research in order to deepen the understanding of UK India trade relations and promote new thinking in the area.

We believe that through thought leadership, the building of new models of engagement and practical business assistance we will be able to bring focus to UK's India engagement and greatly enhance trade and investment between these two great nations.

Supplementary evidence from UK India Business Council (formerly IBPN)

SUPPORTING EVIDENCE

Visas

What barriers in UK immigration laws are getting in the way of trade and investment into the UK from other countries and in particular India?

The UK currently has a sophisticated immigration system which accommodates over 84 ways to enter the UK. Our immigration laws regulate the movement of people not trade and investment but do indirectly have an impact trade and investment. UK business is assisted by UK Trade and Investment (UKTI) which advises UK businesses wishing to trade or expand overseas and overseas business wishing to trade or expand into the UK.

The UK immigration system does not treat nationals from India differently from others, save that they, like many other countries are visa nationals and so need a visa to enter the UK even when entering as visitors. The list of visa nationals is determined by Europe and no longer the UK. Additionally as Commonwealth nationals some Indian nationals will have the option to apply to enter the UK under the working holidaymaker scheme and under the UK ancestry route. Perhaps both schemes could be promoted in India as not as many Indians enter under these schemes as say Australians, New Zealanders and Canadians. There are a large number of Indian nationals under 30 who would benefit from spending two years in the UK under the working holidaymaker scheme.

In the year 2005–06 UK received 72,461 applications for Working holiday makers of these there were 6505 applications from India of which a mere 1547 were issued giving a refusal rate of over 72% as opposed to a global refusal rate of 23% and even higher rate than the 57% refusal rate in South Asia.

Most Indians entering the UK to work do so under the work permit scheme. To obtain a work permit a job offer is needed and there must be a UK entity that can sponsor the application. Indians do benefit from the work permit scheme.

69,392 work permit applications were received in 2005–06 of which 67,401 were issued. Of these, 23,248 applications were from India of which 21,967 were issued.

The highly skilled migrant programme (HSMP) is another immigration category that benefits Indian nationals as a large number of Indians enter the UK to work under this programme. A highly skilled migrant can enter the UK as an employee or self employed.

Other categories include sole representative visa (no investment is required here. This is an "entrepreneur visa" that requires an investment of £200,000 and a person needs to be actively involved in running the business and create employment for two EU nationals. Lastly there is the investor category where a person can be a passive investor but needs to invest a £1 million of which £750,000 has to be in long term securities).

In 2005–06 UK received 386,264 non settlement Visa Applications in India and issued 310,174 visas against these. The visa refusal rate in India was 19.3% against a global refusal rate of 18%.

What should MPs be doing to encourage investment and entrepreneurs from abroad?

A change that would help trade and investment with India and indeed other countries would be the relaxation of the mandatory requirement under the HSMP for the applicant to have a degree (many talented skilled nationals indeed many entrepreneurs do not have degree eg Bill Gates, Richard Branson and Mark Zuckerberg the founder and CEO of Facebook).

Overall the UK system does make it easy for overseas nationals including Indians to enter the UK for employment and business. The disadvantages are however:

— requiring a visa for even business trips. Perhaps the British High Commission and Consulates could make this easier—it can be difficult for some Indians to obtain visas as often the entry clearance officer assumes that the applicant intends to remain in the UK.

— The HSMP requires a degree and although the Indian work force is well educated many talented nationals do not have degrees. Perhaps there could be recognition of qualifications that are not degrees and a greater encouragement for Indians with certain skills to come to the UK.

— Promote the working holidaymaker scheme more easily in India.

In addition, favorable tax schemes, exchanges schemes between Indian and the UK, more favorable deals offered by Development Regions and greater recognition of Indian qualifications which are not of UK degree level may also help.

Finally, as you may be aware, the UK immigration system as we know it is currently being replaced by a points based system. Applications will primarily be made at British posts abroad. MPs could help ensure uniformity in assessing applications as currently posts vary widely with those in the US, for example, enjoying low refusal rates compared to those in India which have very high refusal rates.

EU Visas

It should also be noted that Indians living in the UK on Indian passports but who have a right to stay require visas to enter the Schengen countries—because UK stayed out of the treaty. The procedures to get a Schengen visa are very difficult and restrictive for those requiring business travel within Europe.

Indians who have permanent residence in the UK, do not need a UK visa each time they go in and out. However to travel to the EU they do need a visa and they are only ever given single entry or limited 3–6 months. This is a major disincentive, when compared to the USA and Canada who often give 10 years multiple entry visas.

Although this could be viewed as more of an EU issue than a problem for the UK, if UK wants to see itself as a bridgehead to the EU, greater opportunity for flexibility of travel needs to be made available to Indians that want to lead on EU wide business, in order to encourage them to lead these operations from the UK rather than favouring a Shengen country.

November 2007

Memorandum submitted by UK Trade & Investment

Introduction

The Government welcomed the Trade and Industry Select Committee's 2006 report on *Trade and Investment Opportunities with India* as both useful and timely in informing UK Trade & Investment's (UKTI's) new strategy, particularly with regards to commercial activity with India. The report made some valuable recommendations that added weight to UKTI's decision to focus a greater proportion of resources on emerging markets, to give greater priority to our bilateral trade policy work in these markets and use our overseas network more strategically to achieve our objectives in India.

A "one year on" review is similarly welcome. This memorandum informs the Committee of the work that has gone on over the last 12 months. It addresses the concerns laid out in the 2006 report, in particular the addressing of continuing barriers to trade; and the need to raise the game on the promotion and support of trade and investment opportunities in India.

Significant progress has been made by UKTI over the last 12 months. The first UK-India Investment Summit was inaugurated in the latter part of 2006. Attended by both Prime Ministers, it is a model for senior level engagement on UK-India commercial issues. Other UK Ministers have maintained a sustained focus on India with engagement with their Indian counterparts at home and abroad.

During the period, the momentum has been gathering with the roll out of UKTI's five year strategy *Prosperity in a Changing World*. UKTI has increased India related resources and activity significantly.

The Committee's concerns regarding poor understanding by UK businesses of the Indian market and the perceived view of India as a source of low cost labour rather than as an emerging economy are being addressed, as are their concerns about promoting the opportunities for manufacturing and wider investment. Awareness raising programmes in the UK, media briefings and practical support for businesses engaging with India are some examples of the work being done by UKTI to change perceptions.

By the end of the year UKTI will have increased by nearly 20% the number of front line commercial staff at work in India as well increased its resources and effort in marketing the UK as a "compelling proposition". The City Strategy which promotes the opportunities represented by the UK financial services sector in priority markets of which India is one, is already being rolled out. UKTI's High Growth Market Programme, aimed at assisting mid-corporates understand and engage with India (and 15 other emerging economies), is also in the process of being delivered.

The multiplicity of UK regional institutions supporting trade and investment in India are being addressed through a wider of review representation overseas and division of work on trade and investment within the UK to maximise effectiveness and efficiency. A few have now decided to co-locate their offices with our diplomatic posts in India. The UK-India Joint Economic Trade Committee (JETCO) continues to be driven forward and remains active on specific trade and investment issues raised by business, providing input to government policy and building bilateral links and developing commercial opportunities. The Indo British Partnership Network (IBPN) is in the process of being transformed into the India Britain Business Organisation (IBB Org). IBB Org,[29] which with UK Government funding of £1 million will meet the aspiration the Trade and Industry Committee expressed in its 2006 report for IBPN.

1. The Changing Indian Economy

1.10 The transformation of India from an inward looking economy into one of the fastest growing economies in the world has accelerated since 2000. The Indian economy has averaged an 8% GDP growth for three consecutive years since 2000 and above 9% for the last two (9.4% in 2006–07). The growth has been well spread across all sectors; Manufacturing grew by 12.3% in 2006–07 against 9.1% in the previous year, while trade, hotels, transport and communication grew by 13% against 10.4%. Mining and quarrying grew

[29] IBB Org was the working title for the re-branding of IBPN. In the event the UKIBC title was thought to better reflect the aspirations of the new organisation.

by 5.1% during 2006–07 against 3.6% in the previous fiscal, while electricity, gas and water supply registered 7.4% growth against 5.3%. Community, social and personal services grew by 7.8% against 7.7%. Agriculture and allied sector's growth, however, slowed down to 2.7% against 6% and construction to 10.7% against 14.2% last year. Growth in the services relating to financing, insurance, real estate and business also slowed down to 10.6% against 10.9% last year.

1.12 The structural shifts in the Indian economy have been distinctive. The decline in the share of agriculture to total value added in the economy from 28% in 1999–2000 to 18.5% in 2006–07 was initially picked up by the services sector, which has seen double digit growth since 2002–03 and contributed to 54% of GDP in 2006–07. More recently, there has been a revival of the industrial sector, its growth rate doubling from 6% in 2002–03 to 12.3% in 2006–07, largely due to increased domestic demand. This has led to large scale expansion as the sector was previously operating at almost full capacity.

1.13 Inflation in India reached a two-year high of 6.63% in February 2007, well above the tolerance threshhold of 5.5% set by the Reserve Bank of India. It has since receded following the adoption of various fiscal and monetary measures. The appreciation of the Indian rupee (vis á vis the US dollar) due to a large inflow of foreign exchange has also helped reduce inflation through cheaper imports.

2. Trade Figures and FDI Flows—UK Position in Market

2.1 *Summary*

2.1.1 UK exports to India remain strong, but are not growing as fast as our competitors. But UK investment is high—reflecting the fact that many companies are using non-export models to pursue their business with India, for example, business process outsourcing (BPO), local manufacturing and tech transfer etc. UK exports of services (a major part of our export mix) are hampered in some sectors by regulatory issues. If these barriers are removed, we would expect our services exports to grow strongly and Government will continue to lobby for their removal.

2.1.2 Indian investment into the UK is growing fast with a large number of projects. Tata's takeover of Corus and United Breweries recent announcement of the takeover of Whyte and Mackay should bring India into the big league of investors in terms of value in 2007.

2.2 *Goods and Services*

Office for National Statistics (ONS)

2.2.1 ONS latest full year figures (2006) show the value of UK/India bilateral trade under the combined heading of goods and services stood at £8.74 billion. UK exports of goods and services to India grew by 22.6% from 2004–05 and a further 4.4% to 2006 to over £4.1 billion. Conversely imports of goods and services from India in 2006 grew to over £4.6 billion. ONS calculate that in 2006 1.1% of the goods and services imported into the UK came from India against the 1.1% of UK exports that went to India:

UK-India trade in Goods and Services (ONS)

UK exports to India	*2004*	*2005*	*2006*	*change 06/04*
— Goods	£2,235m	£2,798m	£2,695m	21%
— Services	£981m	£1,146m	£1,424m	45%
— Goods and services	£3,216m	£3,944m	£4,119m	28%

UK imports from India	*2004*	*2005*	*2006*	*change 06/04*
— Goods	£2,290m	£2,783m	£3,136m	37%
— Services	£1,095m	£1,247m	£1,485m	36%
— Good and Services	£3,385m	£4,094m	£4,621m	37%

2.2.2 According to HM Revenue and Customs the sectors with the highest share of UK exports of goods to India in 2006 were:

— Non-metallic mineral manufacturers (almost entirely diamonds):	41.5%
— Power generating machinery and equipment:	6.7%
— General industrial machinery and equipment:	4.9%
— Other transport equipment:	4.7%
— Metalliferous ores and metal scrap:	4.5%

Eurostat Comtext database

2.2.3 Eurostat, for which 2006 figures are available, indicates a decline between 2005 and 2006 in the exports of UK goods to India. The UK is nevertheless ranked 3rd in the league of EU exporters to India, with only Germany and Belgium ahead, or Germany and France if the exports of diamonds are excluded:

Ranking of leading EU exporters of goods to India (Eurorstat)

Exports of goods to India	*2005*	*2006*	*change*
Germany	€4,143m	€6,115m	48%
Belgium	€5,173m	€4,614m	−11%
United Kingdom	€4,617m	€3,953m	−5%
France	€1,977m	€2,522m	28%
Italy	€1,679m	€2,170m	29%
Netherlands	€908m	€1,133m	25%
Sweden	€751m	€1,068m	42%

Exports of goods to India (Excluding diamonds)	*2005*	*2006*	*change*
Germany	€4,141m	€6,111m	48%
France	€1,976m	€2,522m	28%
United Kingdom	€2,544m	€2,325m	−9%
Italy	€1,679m	€2,170m	29%
Netherlands	€908m	€1,133m	25%
Sweden	€751m	€1,068m	42%
Belgium	€751m	€708m	−6%

2.3 *Investment Flows*

India in the UK

2.3.1 2005–06 saw a 111% rise in the number of inward investment projects from India recorded by UKTI reaching 76 (including mergers & acquisitions) worth £1.02b billion. UK Jobs created/safeguarded from total FDI reached 4,172, itself a 144% increase over the previous year where jobs associated with Indian investment projects advised to UKTI stood at 1,711.

2.3.2 The UK receives approximately 60% of all Indian investment coming into Europe. Indian investment is spread across the UK although London does receive by far the largest share (30% over the last five years).

2.3.3 There are nearly 500 Indian companies with a base in the UK of which approximately two thirds are in the ICT/software sector, the next significant knowledge sector being pharmaceuticals. Examples of major Indian investment announced in the last 12 months are Tata's US$ 9 billion (£4.5 billion) acquisition of Corus Steel.

2.3.4 Since the Indian Government relaxed foreign exchange controls there has been a significant increase in the number of Indian companies who have turned to overseas acquisition as a method of market entry. This is driven by a desire to be close to their customers, gain market access, but increasingly as part of an Indian business strategy to increase income from overseas portfolios.

2.3.5 The London Stock Exchange has 23 Indian companies listed on the main exchange which is more than the New York and NASDAQ exchanges combined. They include the State Bank of India, Tata Tea (owners of Tetley) and Ashok Leyland.

UK in India

2.3.6 The UK's investment stock in India by the end of 2006 placed the UK 3rd behind Mauritius and the USA up from 4th place behind Singapore in 2005 (total stock figures 1991—Dec 2006). Stock values for the top three investors at the end of 2006 being:

- — Mauritius: $16bn
- — US: $5.6bn
- — UK: $3.6bn

The UK's investment profile, will be greatly enhanced by Vodafone's recent US$11.1 billion (c£5.5 billion) investment in Hutchison ESSAR Ltd, India's 4th largest mobile operator. It represents the largest ever investment by a UK company in India and is one in which UKTI played a role.

3. Bilateral Engagement

3.1 *Summary*

3.1.1 An important role for UKTI in India is pressing for market liberalisation, especially in the following areas:

- Financial services—banking, insurance, capital markets
- Legal Services
- Accountancy services
- Education
- Retail
- Wine and Spirits (whisky)

Financial services: Progress is likely to be slow (though the Government of India has a "road map" for action in 2009). The Government faces strong opposition from the Left parties, which has made it difficult to introduce the insurance bill so far this year.

Legal services: We have intensified our dialogue with the Law Ministry and Bar Council, who have given encouraging signs that they are actively looking at liberalisation. The Law Minister is expected to visit the UK later this month (June), when we hope we shall see more progress.

Accountancy: UKTI has joined with UK companies through the JETCO process in a successful effort to drive forward a dialogue. The Limited Liability Partnership Bill, which is expected to be passed this year, will address several of the concerns held by UK and international accountancy companies (eg on employing staff and using their own brand names). Some outstanding issues will remain, but we expect UK companies to become much more active in the market once the LLP bill goes through.

Education: We are working with partners in India to explore the potential for greater collaboration once the Foreign Education Providers Bill (FEPB) has completed its passage through the Indian Parliament. This bill as it currently stands presents some barriers to collaboration such as large corpus fund deposits and obligations under affirmative social action to offer subsidised places to disadvantaged groups. We are working with influencers and decision makers to influence the Bill if it goes to Standing Committee.

Retail: A number of major UK retailers are actively exploring the market, though there has not been movement on opening up general retail to FDI. The single brand (51%) and wholesale (100%) sectors are already open.

Whisky: The Government has lobbied the Indian government on excessive import and inter-state duties on spirits on a sustained basis over the last four years. The European Commission has also engaged on the issue. The EU has taken the matter to the WTO and a complaint procedure has been launched. The Indian Government is actively considering options for reducing additional duties. Any reductions will require new legislation and compensating revenue for states affected by the shortfall in duties.

3.2 *Ministerial Engagement*

Investment Summit

3.2.1 An early recommendation from the UK-India JETCO was the need to bring together the top tiers of Government, business and business multipliers to develop further the two countries investment and trading relationship. In October 2006, UKTI organised a UK-India Investment Summit at Lancaster House. Jointly hosted by the Rt Hon Alistair Darling and Shri Kamal Nath, the summit was also addressed by both Prime Ministers (Rt Hon Tony Blair and Dr Manmohan Singh).

3.2.2 Delivered on the theme of "Global Partners—a Shared Vision" the summit provided a platform for an open dialogue on the key trade issues affecting the two countries. Specific areas raised included regulatory transparency and approval delays in the Indian Energy Sector; transfer of UK knowledge and expertise on infrastructure; concerns over delays in the liberalisation of the Indian banking and financial services sector; and working to establish a telecoms regulatory framework on FDI spectrum management and network security.

3.2.3 Dr Manmohan Singh indicated the Indian Government's commitment to delivering a transparent, accountable, rule based regulatory system and welcomed the involvement of Indo-British stakeholders to inform the debate on reform. He also reiterated the Government commitment to move forward on the further liberalisation of the banking and insurance sectors.

3.2.4 The next Investment Summit will be held in the autumn of 2007 in Delhi.

Ministerial and Senior Meetings

3.2.5 The Government recognises the representation and political value of high level engagement on the resolution of bilateral trade issues. In the intervening months since the Committee reported, the following visits (which were either dedicated to, or included elements of the further fostering of bilateral trade relations as part of their agendas), took place:

HRH, The Duke of York, UK's Special Representative for International Trade and Investment—October/ November 2006.

Visited New Delhi, Mumbai and Chennai in support of UK companies trading internationally and encouraging foreign investment. Sectors covered included pharmaceutical, engineering, IT, mobile communications, banking, automotive, film and business process outsourcing. His Royal Highness also presented the first-ever UK Trade & Investment India Business Awards in Mumbai on 1st November 2006.

Rt Hon Margaret Beckett MP, Secretary of State for Foreign and Commonwealth Affairs—November 2006.

The Secretary of State visited New Delhi, Hyderabad and Mumbai, meeting the Indian Prime Minister Dr Manmohan Singh, Foreign Minister Mr Pranab Mukherjee, Finance Minister P Chidambaram, Home Minister Mr Shivraj Patil and other senior members of the government. She also visited a DFID funded project and spoke separately on the growing business links between the India and the UK.

The Rt Hon Richard Caborn MP, UK Minister for Sport—November 2006.

The Minister led a 19-strong UK business delegation to meet Indian ministers and officials involved with organising Delhi's Commonwealth Games 2010, with a view to sharing experiences in preparation for London 2012.

Ian McCartney, Minister for Trade, Investment and Foreign Affairs—November 2006.

A follow-up to the India-UK Investment Summit held in London in October. The visit endorsed the UK's continuing commitment to developing its bilateral business relationship with India. Kolkata and Delhi were visited to promote UK expertise in key sectors such as Infrastructure, public private partnerships and the power generation industry. The visit was also used to lobby Indian Ministers on the liberalisation of the Indian economy in key areas such as financial and legal services, to encourage Indian companies to look to the UK as a destination for establishing a presence in Europe and to attend the India Economic Summit. A high-level business delegation which included senior individuals from companies such as SERCO, British Gas and Halcrow accompanied the Minister.

The Rt. Hon. Alistair Darling MP, Secretary of State for Trade and Industry—January 2007.

The Secretary of State (accompanied by a 150 strong business delegation—the largest ever business delegation to visit India from Britain) visited Mumbai, Delhi and Bangalore. The visit focussed on increasing bilateral trade in infrastructure, power generation R&D and technology transfer, the Doha Development Agenda (DDA), and taking forward the energy and climate change agenda. In Mumbai, Mr Darling met with Indian business leaders and Maharashtra Chief Minister Shri Vilas Rao Deshmukh. In Delhi, Mr Darling launched the television series "Future Living: 2020" (a showcase for British technology) and also met with Shri Kamal Nath, Indian Minister for Commerce and Industry, Power Minister Shri Sushil Kumar Shinde and Finance Minister Shri P Chidambaram. He also led the British delegation in the India-UK Joint Economic and Trade Committee (JETCO) talks. In Bangalore (with the Chancellor of the Exchequer), he attended the CII Partnership Summit and visited some of India's leading companies.

The Rt Hon Gordon Brown MP, Chancellor of the Exchequer—January 2007

The Chancellor visited Bangalore, Delhi and Mumbai. Delivering the keynote speech at the CII Partnership Summit (equivalent to the CBI annual conference), he also visited some of India leading companies (both UK investments and potential inward investors to the UK), made calls on Prime Minister Dr Manmohan Singh, Congress Party President Mrs Sonia Gandhi and the Indian Finance Minister Mr P Chidambaram (to discuss and launch the Indo-British Economic & Financial Dialogue). Mr Brown also announced and presented the first awards under the UK-India Education Research Initiative.

The Rt Hon David Miliband MP, Secretary of State for Environment, Food and Rural Affairs—January 2007.

The Secretary of State visited India for talks related to climate change and sustainable development. Mr Miliband delivered a keynote speech at the inaugural session of the Delhi Sustainable Development Summit in New Delhi and met with Indian business leaders to promote UK expertise and involvement in joint Indo-UK research into climate change impacts and adaptation.

Pat McFadden, E-Government Minister—April 2007

The British e-Government Minister went to India for talks with Indian Government Ministers and major Indian IT and software firms. He met with Ms. Meira Kumar, Cabinet Minister for Social Justice and Empowerment; Prithviraj Chavan, Minister of State in the Prime Minister Office; Tata Consultancy Services (TCS) and NASSCOM in Delhi. He also visited National Institute of Smart Government (NISG) and Centre for Good Governance (CGG) in Hyderabad. Mr McFadden is also the Minister for Social exclusion and his trip included a visit to the Salam Baalak Trust Project.

The Rt Hon Baroness Ashton, Parliamentary Under-Secretary of State for the Department for Constitutional Affairs—May 2007

Baroness Ashton Visited New Delhi, Chandigarh, Bangalore and Chennai, meeting with Ministers and officials from the Ministries of Commerce, Finance, Law and Justice. She also met the Chief Justice of India, the Attorney General and members of the Bar Council of India. In Chandigarh, Baroness Ashton attended a roundtable meeting with Punjab and Haryana State Bar Council Officials. In Bangalore, she visited the National Law School. She delivered a speech on "The Role of Law in a Globalised World" in Chennai.

Dr Kim Howells MP—British Foreign Office Minister of State—May 2007

The Minister visited New Delhi, Kolkata, and Guwahati to further UK-India bilateral ties. He met government officials, representatives of local communities and inspected projects funded by the British government. In Kolkata he inaugurated the new Diversity & Lifestyle Zone at the British Council and the British Information Centre in Guwahati. In Delhi he called on Senior Officials and Ministers from the Ministry of External Affairs.

John Stuttard, The Lord Mayor of the City of London—May 2007

The Lord Mayor visited New Delhi, Kolkata, and Mumbai. Representing the UK-based financial services, the visit focussed on exploring how the City of London could work with the Government of India to develop an international financial centre in Mumbai. The Lord Mayor's week-long schedule included meetings with the Minister of Finance, Commerce & Industry, the Mayor of Kolkata and the Governor of the Reserve Bank of India. In New Delhi, the Lord Mayor addressed a seminar—"Partners in Action—How London's global financial experience can be relevant to India". In Mumbai, he inaugurated City of London's new representative office.

3.2.6 The Government also recognises the value of maintaining a high level and regular bilateral dialogue with Indian Ministers while they visit the UK.

3.3 *Joint Economic Trade Committee (JETCO)*

3.3.1 UKTI continues to drive forward the UK-India Joint Economic and Trade Committee (JETCO) process, lobbying the Government of India on specific trade and investment issues as well as building links and opportunities for business.

3.3.2 A third meeting of the JETCO took place in New Delhi in January 2007, co-chaired by the Rt Hon Alistair Darling MP, Secretary of State for Trade and Industry and Shri Kamal Nath, Minister for Indian Commerce and Industry. A mixture of one-to-one and plenary sessions, the event focussed on the successes delivered so far (eg, air services liberalisation and agreement on co-operation in the creative industries), new initiatives resulting from the October 2006 UK-India Investment Summit (such as a strategy to maximise UK involvement in India's planned US$320 billion infrastructure investment) and the progress made by the Working Groups.

3.3.3 Both Ministers reaffirmed JETCO's value in helping realise the vast potential for increased bilateral trade and investment flows between the two countries. The meeting also covered the Doha Development Agenda, the role of the Indo British Partnership Network (now IBPN) as a prime business to business facilitator of bilateral trade and an agreement that the Investment Summit should be an annual feature, the location alternating between India and the UK.

3.3.4 Both Ministers accepted a recommendation that each JETCO Working Group should continue to concentrate on the areas of their respective sectors where real delivery can be achieved and that they should continue to offer policy advice to senior officials. A mid-year bilateral Senior Officials meeting (scheduled for 5 July 2007 in Delhi) will review the progress and consider the areas for future action by the two governments.

3.3.5 The current Working Groups are:

Accountancy Services: The reciprocity in the recognition of professional qualifications and removal of restrictions preventing or restricting foreign practitioners from entering the market is the main issue for this group. They are making encouraging progress. A detailed review has been undertaken of the respective examinations and syllabi as a foundation for taking forward discussions with the professional bodies. Talks on reciprocal membership between the Institute of Chartered Accountants of India (ICAI), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Cost and Works Accountants (ICWA) and the Chartered Institute of Management Accountants (CIMA) are progressing. A Limited Liability Partnerships Bill, which will increase the maximum size and number of partners, has been introduced in the Indian Parliament. This will remove a technical barrier for larger UK firms to participate in professional services when each sector is liberalised.

The UK accountancy profession has also expressed concerns over the limits on the number of students that can be trained in India to become accountants. The working group have been advised by the ICAI that they have given their formal support to a significant increase in the quota. This now awaits final approval by the Indian Government.

Agri-Business: JETCO-linked visits have resulted in the signing of an agreement between Punjab Agro Industries Corporation Limited and British Agrifood Consortium Limited for consultancy services to establish international quality norms for the agri-produce of Punjab. In addition to the initial contract this will enhance opportunities in Punjab for other UK companies. JETCO activities have also led to the signing of an MOU between Campden and Chorleywood Food Research Association (CCFRA) and the Confederation of Indian Food Trade Industry for CCFRA to deliver training and R&D services to the Indian agrifood industry.

The JETCO Agri-business Group has identified a strong need for investment in farming technology, developing products for market and logistics including cold storage and packaging (some 30–40% of Indian produce perishes before reaching market). UK retailers are actively looking at investment opportunities beyond the current sourcing of produce from India.

Financial services: This is a new group that was established in January 2007.The group's objectives include:

— Identifying limitations on market access and exploring the potential for removing barriers.
— Highlighting the benefits of effective regulatory regimes.
— Promoting high standards of business practice, market integrity and risk management.
— Promoting the socio-economic and business potential arising from increased liberalisation of financial services.
— Developing mutual recognition agreements in financial services.
— Improving bilateral engagement between UK and Indian regulatory bodies.

They have also set up four separate task forces to focus in on banking, insurance, capital markets and the venture capital and private equity sectors.

Healthcare: Established in early 2006, the group is focussing on a number of work streams including education, e-health and diagnostics and is now taking work forward in these areas. A group of approximately 50 healthcare companies and interests accompanied the Secretary of State (as part of a wider mission) to India in January 2007. One of the outcomes of this mission was a proposed e-healthcare pilot project which would place diagnostic equipment in rural areas allowing patients to be diagnosed in situ. Two private sector hospitals have so far expressed interest—one in Delhi and one in Mumbai. Imperial College have also recently completed a UKTI-funded study on strategies for addressing the growing diabetes problem in India. UKTI will work with Imperial College to seek ways in which UK companies can both contribute towards tackling the diabetes issue in India whilst simultaneously developing business opportunities in the market.

Hi-Tech: There are few regulatory barriers and obstacles in this sector.{ The working group has, therefore, focussed on the development of mutual business opportunities, particularly in the telecoms, nanotechnology and Information technology/telecoms sectors.{{{The ICT activities are being driven by Intellect (UK's ICT industry body) and NASSCOM (India's IT industry body) and are concentrated on SME development. Both are members of the working group. Nano technology activities include a proposed visit by UK nano companies and universities in September to India and an inward mission to the UK NanoForum in London in November 2007.

Infrastructure: Launched in early 2007 in response to Indian plans to spend approximately $320 billion on infrastructure improvements over the next five years, the Infrastructure Working Group is focusing on the increasing popularity of Public Private Partnerships as a model for delivering large-scale infrastructure investments in India, and the opportunity they might represent for UK technology, management and investment flows. Specifically they are looking to pursue engagement on sectors such as power and utilities.

Legal Services: The main focus of the Group is to secure access for foreign law firms and lawyers to provide legal advisory services in India. Current regulations restrict this and there has traditionally been considerable opposition from the Indian legal profession.

Regulation limiting the number of partners a law firm may have and their permitted size has also been a considerable barrier to investment. The introduction of the Limited Liability Partnerships Act (the Bill is currently before Parliament) could resolve this and provide a basis for foreign and local firms to enter into partnerships. This would leave the bar on foreign lawyers practising in India as the major remaining obstacle.

Action by the JETCO Legal Services Group plus visits by Baroness Ashton and the Lord Mayor of London has resulted in a growing recognition amongst the Indian legal profession of the benefits overseas investment can play in upgrading their expertise and the importance of international legal services in contributing to wider economic growth. A key development was April's agreement by the Bar Council of India to lead the Indian side of the JETCO Working Group.

3.3.6 Whilst not the subject of a formal Industry Working Group, the protection of Intellectual Property Rights (IPR) is an important part of the bilateral and JETCO agenda. In June 2006, a Joint Statement of Intent was signed between Commerce and Industry Minister Shri Kamal Nath and Lord Sainsbury. This set out a number of areas for future co-operation, including the training and management of patent and trademark officials, development of patent and trademark attorneys, the sharing of best practice on infringements and increasing awareness and understanding of the use of Intellectual Property by business. Since then the UK Intellectual Property Office has been active in taking forward a number of initiatives, including assisting the Indian Intellectual Property Office to prepare for its application as an International Searching Authority.

3.4 *DOHA Round*

3.4.1 The Government continues to press for an ambitious, pro-development outcome to the Doha Development Agenda (DDA) negotiations. The first priority of both the UK and EU is to conclude the DDA, recognising that multilateral trade agreements deliver substantially greater benefits than bilateral trade agreements. However, we recognise that bilateral agreements can generate real benefits, provided that these compliment the multilateral trading system.

3.4.2 India in turn remains committed to achieving a successful outcome to the Doha Round, although remains concerned about the vulnerability of its agriculture sector—which it is seeking to protect through maintaining high bound tariffs and the use of special products and special safeguard mechanisms. India is also keen to see developed countries reduce subsidies and make substantially greater commitments to liberalise their own goods and particularly services markets.

3.4.3 Negotiations were suspended in July 2006 and restarted again in January 2007 at the World Economic Summit at Davos. A combination of G4 (Brazil, EU, India and the US) and national bilateral and plurilateral meetings are informing the ongoing negotiations in Geneva, with aim achieving consensus by the end of 2007.

3.5 *EU-India Free Trade Agreement*

3.5.1 It is noted that Committee is aware and had inquired separately into the European Commission's announced intention in October 2006 to pursue negotiations on a bilateral free trade agreement with India.

3.5.2 The Government recognises the agreement is an important and welcome initiative. It will be instrumental in deepening and liberalising further the EU's trading links with India which can only be beneficial to UK commercial interests.

3.5.3 While welcoming the Commission's decision to enter into bilateral negotiations our position remains as stated above, that the priority stays with the achieving of a successful outcome to the Doha Round. The UK has pressed and will continue to press for EU negotiations with India to be complementary to the DDA and build on the wider multilateral process.

3.5.4 Whilst the EU negotiates on behalf of members on trade policy, the UK will continue to work with the European Commission and other member states to ensure that the EU-India Free Trade Agreement is consistent with our ambitions for liberalisation and greater market access covering trade in services as well as goods.

4. UKTI Supporting UK Businesses in their Perception, Knowledge of and Access to the Indian Market

4.1 *UKTI India Staff Resources*

4.1.1 Since the Committee published its report in 2006, UKTI staff resources have been increased across Team India. At the time of the report 74 staff were dedicated to full time commercial work in India. By the end of the current financial year that number will have risen to 88, an increase of nearly 20%.

4.1.2 The additional staff will reinforce the delivery of front line UKTI support, aimed at seeking greater opportunities for trade and investment. The Science and Innovation network is also doubling its resource in India to 10 staff. This team is, critical to identifying and delivering R&D opportunities.

4.2 *UKTI Marketing*

4.2.1 In July 2006, in launching its strategy "Prosperity in a Changing World", UKTI made a strong commitment to the professional, world-class and cohesive marketing of the UK as a place in which and with which to do business.

4.2.2 The marketing message focuses on the UK as an investment multiplier, a springboard to international growth and a location that upgrades the value of company's investment. This is born out of the understanding that many companies invest in the UK not only because of the home market but because it improves their overall competitiveness in today's globalised economy.

4.2.3 UKTI, in recognition of the need to tailor this message to the Indian market, appointed in April of this year (2007) a new locally engaged member of staff to become the Marketing Manager for India. Examples of recent activities include:

UK Trade & Investment India Business Awards 2006

- The UK Trade & Investment India Business Awards were announced in September 2005, coinciding with the PM visit to New Delhi. Designed to recognise and celebrate UK—Indo business partnership, specifically in terms of inward investment, collaborative business partnership, entrepreneurship and innovation; the first special recognition awards was presented to Tata Consultancy Services by PM Tony Blair.
- The awards were presented on 1 November 2006 at a ceremony chaired by HRH, The Duke of York in Mumbai. Six companies were recognised under the six different award categories with Special Recognition for the co-chairmen of IBPN. The event generated media coverage close to £175 K excluding the CNBC news telecast.

The Public Diplomacy Initiative

A multi faceted initiative, commissioned jointly by the British High Commission and the British Council to "inspire India's rising generation of decision makers to choose the UK". The initiative saw a series of events and activities in the fields of arts and culture, business, education, environment and science and technology:

- Arts & Culture: An adaptation of A Midsummer's Night's Dream was toured in India to critical acclaim. In doing so it was instrumental in positioning and raising the perception of the UK as a strong leader in the cultural field. Additionally the "India's Creative Future" initiative received over 1,200 business proposals and by the time of its awards ceremony in February 2007 had successfully raised the profile of the UK as a source of creative ideas with 3,000 creative professionals directly.
- Education: The public diplomacy initiative created two main educational programmes. 1) Education UK roadshows—a series of travelling events that visited 14 cities and reached out to 105,000 young people 2) Scholarship Hunt—a TV reality show with NDTV. This initiative was delayed due to difficulties between NDTV and the universities. This programme is now due to go live this summer and promises to be a significant contribution to interest in UK education.
- Environment: The "Environment Enterprise" initiative witnessed seminars, workshops and surrounding events planned on two topics—the science of climate change and the impacts of climate change on bio-diversity and sustainable development. The events were instrumental in bringing about a step change in awareness of the UK's excellence in climate change research—positioning the UK as world leader in this field and favoured partner for future collaboration with India.
- Science & Technology: Initiatives included "Vision 2020—Future Living" a six part science and technology TV series showcasing British innovation and technology (aired in March 2007 reaching 34 million households.); "Science and Technology in Sports", the development of a series of messages highlighting the UK's contribution to technology in the field of sport; and the "Did You Know" advertising campaign, cutting across all five themes of the diplomacy initiative, highlighting British innovation and creativity.

The World Economic Forum in Delhi

4.2.5 Advertising campaign initiated over the period of the Forum in November 2006 promoted the UKTI Business Awards (see above) by printing the case studies of four of the recent award winners.

Bangalore Bio 2006

4.2.6 Extensive advertising showcasing the UK's strengths in Biotechnology, including a short case study highlighting the Dabur and India-UK bio-collaboration. UKTI will also be participating in Bangalore Bio, taking place in June 2007.

4.3 *Regional Representation in India*

4.3.1 In response to the Committee's concerns over the need for a strategic framework to deal with the multiplicity of UK agencies (other than UKTI) operating in India on inward investment promotion, UKTI continues to pursue the initiative outlined in the UKTI's 2006 Strategy document: "Prosperity in a Changing World". Namely that by March 2008, UKTI will have worked with the Devolved Administrations and the Regional Development Agencies to review their representation overseas and maximise effectiveness, ensuring that they deliver what is the best for the UK in a coherent manner.

4.3.2 In the 12 months since publication of the Committee's report Arthur D Little (ADL) have been commissioned to research and analyse the operation of RDA and Devolved Administrations overseas offices undertaking inward investment work alongside those of UKTI. ADL will also make comparisons with the overseas operations of other countries. This is well underway. ADL have produced a first stock-take of overseas offices, have begun work on the options for investment attraction overseas and begun to consult stakeholders. ADL has also been contracted to survey business on their perspectives of the UK's overseas inward investment attraction arrangements. They will report their findings in July 2007.

4.4 *Indo British Partnership Network (IBPN)*

4.4.1 The Trade and Industry Select Committee recommended in its 2006 report " . . . that a decision is taken to position the IBPN as the leading player for the private sector in the UK; it should become the *de facto* Indo-British Chamber of Commerce and so the natural voice of commerce in relation to Indian Trade and Investment issues" (Source: Para 5 Conclusions and recommendations)

4.4.2 From the current financial year (2007–08) UKTI is putting in place a significantly increased level of budgetary support for the IBPN: increased to £1 million per annum from the previous £75k per year. Match-funding will be sought by the organisation through a mixture of corporate sponsorship, membership charges plus the provision of chargeable services.

4.4.3 The IBPN will be re-branded to recognise the step change in its activities as the India Britain Business Organisation (IBBOrg). IBBOrg's objectives will be to:

- provide a networking forum committed to furthering trade and investment between the UK and India;
- contribute to the objectives of the Joint Economic Trade Committee (JETCO); and
- inform Government on Indo-British trade and investment issues.

The IBBOrg will use the additional funding to extend its capability, reach and ability to advise companies on the opportunities to do business with India while providing practical advice on engagement with the market. In doing so, UKTI believe that it will align itself closely with the aspiration the Committee expressed for the IBPN in 2006.

4.4.4 A Chief Executive Officer (CEO) is currently being recruited and is expected to be in place by summer 2007. An Advisory Board made up of leaders of major UK companies will guide the strategy of the organisation. An operational board, composed initially of the current IBPN members, will also oversee the work of IBBOrg.

4.4.5 IBBOrg will be based in London and in the future will develop a presence elsewhere in the UK as agreed with local partners. In India, it will grow its capability within the ambit of UKTI's offices in the country to provide a complementary service.

4.5 *India in the UK*

4.5.1 It is recognised that the dialogue bilateral trade issues is facilitated and enhanced by maintaining a close relationship with not only Indian Government representation in the UK but also those who are here to represent the interests of Indian commerce (ie the private sector multipliers).

4.5.2 UKTI maintains close and open links with the High Commission for India as well as the principle trade bodies, which include the Confederation of Indian Industries (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI)—the latter only recently having set up for the first time a full time representation in the UK.

4.5.3 NASSCOM the body that represents the interests of the Indian Information Technology companies in recognition of the greater opportunities for bilateral trade in the sector has an announced its intention establish a UK office. Additionally they have agreed to partner with Intellect, the trade association for the UK High tech Industry on SME development.

4.6 *City Strategy (Promoting UK financial services)*

4.6.1 The Chancellor's Budget statement of March 2006 announced that UKTI was developing the overseas promotional strategy for UK financial services. This strategy draws on the Treasury-led analytical work and the views of a wide range of private and public sector stakeholders.

4.6.2 The City Strategy seeks to promote the world leading financial services encapsulated in London and the complementary strengths of the financial and related business services across the UK. UKTI established a new Financial Services Sector Advisory Board (FSSAB) that has met three times since its inauguration in December 2006. Recent milestones include:

— Successful trips to India by the Chancellor and Trade and Industry Secretary Alistair Darling in January plus the visit by the Lord Mayor in May, that have seen commitments from the Indian Government on market access for financial services, including steps taken so that Lloyd's of London would be allowed to operate in India.
— The approval of dedicated strategies for India (and China) at the third meeting of the FSSAB on 2 May 2007.
— The reinforcement of the UK financial services profile in India by the arrival of new diplomatic staff dedicated to the financial services sector in Mumbai.
— The joint partnership production of new UK financial services promotional materials (website and brochure); the brochure was launched by the Lord Mayor of London in India on 21 May 2007.
— The development of a new strategy to promote the UK as a world leading centre for Islamic finance.

4.7 *High Growth Markets Programme*

4.7.1 Following research undertaken by UKTI for by the Asia Task Force it was decided that UKTI needed to widen its support to include mid-corporates as well as its current work with small and medium size enterprises.

4.7.2 As a result, UKTI launched in the early part of 2007, the £2.4 million "High Growth Markets Programme" (HGMP), the specific objectives of which are to:

— Learn and disseminate lessons about why experienced exporters and established companies with potential to succeed are not more active in the high growth markets.
— Develop and deliver tailored support services.
— Generate more activity and interest in the high growth markets by UK-based companies.

4.7.3 The programme will focus on 16 specific high growth economies including India. 15 High Growth Market Specialists will engage with UK companies with the potential to succeed. Each Advisor's role will be to:

— Manage a relationship with up 65 medium-sized UK target companies per annum.
— Assist those companies exploit opportunities in the high growth markets by offering market entry or business development advice.
— Capture ground level market intelligence on new trade opportunities, trends and developments to stimulate export activities.
— Capture data on the current and future challenges for UK companies operating in markets to help inform Government policy.

4.8 *Inward/Outward Missions*

4.8.1 A central plank to creating market awareness and fostering business exchange remains UKTI's support for Inward and Outward Missions. In the calendar year 2006, UKTI supported over 40 outward missions to India covering diverse industry sectors including biotech (to Bangalore), construction (to Chennai), oil & gas (to Delhi, Ahmedabad and Mumbai) and automotive (to Pune).

4.8.2 The first quarter of 2007 (Jan-to March) points to an up turn in activity with some 23 mission having taken place as compared to 19 in the same period in 2006.

4.9 *Visas and Work permits*

4.9.1 The Committee's 2006 report raised concerns about the issue of Visas and Work Permits—in particular the minimum permissible stay for high quality students from India and about the reduction of impediments to skilled workers (ie in the IT sector) entering the UK.

Visas

4.9.2 The Government remains committed to facilitating legitimate travel between India and the UK. India is the UK's largest visa operation world-wide. In 2006 a record number of visas were issued. Numbering just over 336,000, they represented 83% of the applications made and an almost 20% increase on visas, issued in 2005. 27,039 work permits were also issued in 2006, a 32% increase on 2005.

A category of contact less well served by visas are research scientists making frequent visits to UK over significant periods of time. The Government is assessing the viability of introducing a five-year research visa for this purpose.

Students

4.9.3 The flow of students to the UK is rising. More than 23,000 Indian students are currently studying in the UK. In addition, increasing numbers (currently 5,000) are studying for UK qualifications in India, via distance learning partnerships with UK accredited institutions.

4.9.4 The Government, working with the British Council, is committed to increase the number of students coming to the UK to study further—in 2006 some 20,000 student visas were issued. On 1 May this year the International Graduates Scheme (IGS) was launched. As an extension of the former Science and Engineering Graduates Scheme, the IGS expands the eligibility criteria to the completion of a bachelor's degree in any subject. It removes the minimum 2:2 classification and now applies to those with post-graduate certificates and diplomas. It will allow an eligible non-EEA national to remain in the UK for a specified period of time on completion of their studies to, seek employment.

4.9.5 The UK India Education and Research Initiative (UKIERI) also continues to improve substantially educational links between the UK and India so that we become each other partners of choice in education. Consisting of three main strands, the initiative covers: Higher Education and Research; Schools and Professional and Technical Skills. The UK is investing £14 million in increasing educational links—supported by a further £4 million from corporate champions BAE SYSTEMS, BP, GSK and Shell. We estimate that UKIERI has almost doubled substantial educational linkages between the UK and India in its first 18 months (adding 190 new linkages). In addition it ran around 25 significant events.

Highly Skilled Migrant Programme (HSMP)

4.9.6 The Government is committed to attracting the brightest and the best from around the globe to work and study in the UK as part of its managed immigration strategy.

4.9.7 The Highly Skilled Migrant Programme was introduced in January 2002. It was designed to allow highly skilled people to migrate to the UK to look for work or self employment opportunities. Some changes were made to the HSMP rules in November 2006 as part of the transition to the new points-based system (PBS) which was announced by the Home Office in April 2007. In line with aspirations for PBS the changes were designed to make the programme more transparent, the criteria more measurable and objective and to ensure that the programme continues to attract those highly skilled migrants who can make a contribution to the UK economy—the new criteria being a better predictor of economic success.

Points-Based System (PBS)

4.9.8 The points-based system (PBS) is an integral part of the Government's Five Year Strategy for Asylum and Migration (published in 2005). PBS will streamline the existing routes for study and work in the UK to five broad tiers and make the selection criteria more objective. It is also intended to allow selection of those most able to contribute most economically and to reduce scope for the abuse of the immigration process. Tier 1 (highly skilled migrants) will be the first to be rolled out at the beginning of 2008.

Intra-Company Transfers

4.9.9 The contribution of Indian employees to UK based companies is well recognised. They will be allowed to continue entering the UK under the new Points Based Programme (Tier 2). Under this system, the requirement that the worker needs to demonstrate company-specific knowledge will be removed in favour of increased compliance checking of the requirement that the person is paid a salary appropriate to the UK. This reflects more closely the current needs of multinational employers and will deliver maximum economic benefit to the UK.

4.10 *Corporate Social Responsibility and Caste Issues*

4.10.1 The Government remains committed to ensuring that business takes account of the social and environmental impacts of their activities worldwide and follow the principles outlined in the international instruments on Human Rights. All UK businesses are encouraged to comply with the laws of the country in which they operate and the UK Government continues to endorse a range of international activities designed to encourage responsible business behaviour, including the OECD Guidelines and UN Global Compact on corporate behaviour.

4.10.2 Discrimination is inconsistent with the standards that UK applies and is illegal in India. As the Committee will be aware, the Baroness Royall, representing the UK Government, supported the UK launch of the Ambedkar Principles in July 2006.

4.10.3 Under a joint action plan established during the UK EU Presidency, the Government continues to maintain, via the EU, a regular and active dialogue on human rights with officials from the Government of India. The issue of minorities (including Dalits and caste based discrimination) last being discussed with Indian officials at the latest EU-India Human Rights dialogue which took place in Delhi during March 2007.

4.10.4 DFID also remains committed to playing its part in addressing caste-based discrimination. Its programmes in India specifically monitor the impact on Dalit community and other disadvantaged groups, where it is appropriate to do so ie in education, health and access to justice.

ONS 2006 FULL YEAR FIGURES

ONS lastest full year figures (2006) show the value of UK/India bilateral trade under the combined heading of goods and services stood at £8.74 billion. UK exports of goods and services to India grew by 22.6% from 2004–05 and a further 4.4% to 2006 to over $4.1 billion. Conversely imports of goods and services from India in 2006 grew to over £4.6 billion. ONS calculate that in 2006 1.1% of the goods and services imported into the UK came from India against the 1.1% of UK exports that went to India:

UK-India trade in Goods and Services (ONS)

UK exports to India	*2004*	*2005*	*2006*	*change 06/04*
— Goods	£2,235m	£2,798m	£2,695m	21%
— Services	£981m	£1,146m	£1,424m	45%
— Goods and Services	£3,216m	£3,944m	£4,119m	28%

UK imports from India	*2004*	*2005*	*2006*	*change 06/04*
— Goods	£2,290m	£2,783m	£3,136m	37%
— Services	£1,095m	£1,247m	£1,485m	36%
— Goods and Services	£3,385m	£4,094m	£4,621m	37%

Supplementary evidence from UK Trade & Investment

SENIOR OFFICIALS LEVEL REVIEW MEETING OF THE 3RD INDIA-UK JETCO 5 JULY 2007 IN NEW DELHI

Present:

India

Shri Rahul Khullar, Additional Secretary, Department of Commerce

Ms. Sujatha Singh, Joint Secretary, MEA

Shri Sanjay Chavre, Senior Development Officer, DIPP

Shri K.K. Kalra, Under Secretary, DOC

Shri S.K.Goel, Under Secretary, DOC

UK

Mr. Asif Ahmad, Director Asia, UKTI

Mr. Creon Butler, Deputy High Commissioner, BHC

Mr. Paul Grey, First Secretary, BHC

Ms. Anne Macro, 2nd Secretary BHC

Ms. Sanchita Chatterjee, Trade Policy Adviser, BHC

1. General Discussion on Working Groups

Both sides agreed that some of the Working Groups needed to be given direction to ensure focused efforts and commercial results. Timelines and clear goals need to be set by the working groups. Both sides encouraged the Working Groups to put policy recommendations to the Government as appropriate. It was noted that the UK India Corporate Affairs Working Group had been set up and would be meeting in August 2007.

2. 4th Annual JETCO meeting to be held in London in January 2008

It was noted that the 4th JETCO meeting would take place in London in January 2008 subject to confirmation of the respective Ministers.

3. Investment Summit

The meeting was informed that the structure of the proposed Investment Summit to be held in New Delhi is being discussed and hoped that the date would be notified by August 2007 by which time the schedule of the UK Prime Minister's visit to India may also be known.

4. Review of Progress of Working Groups

4.1 *Hi-tech Working Group*

It was noted that the second meeting of the Working Group was held on 15 January 2007. The representative of the WG stated that the Group had decided to focus on two specific areas: nanotechnology and information technology. Sub-groups have been set up in these areas. Four meetings of the nanotechnology sub-group have been held so far. The work plan for the year 2007–08 has been chalked out. Both sides hoped that tangible outcomes, such as research collaboration, would emerge from the work plan.

The sub-group on information technology had met twice so far. The sub-group was formulating an Initiative to establish relationship between SMEs on both sides. INTELLECT, UK and NASCOM would actively be involved in this initiative.

Both sides encouraged the WG to take stock of the wider areas of business being undertaken by Indian and UK ICT businesses and incorporate input from these on to the JETCO agenda.

The Indian side explained the provisions of the SEZ Act and the implications for the existing STPI incentives.

4.2 *Agribusiness Working Group*

The representative of the Working Group (WG) stated that the Group had met four times so far. The areas of mutual interest are; to promote bilateral trade in the field of fish, meat and poultry based item, organic foods, frozen fruits and vegetable; capacity building on retail infrastructure, technical expertise in dairy product processing, packaging machinery and food processing equipment, technology transfer; and livestock genetics. It was noted that an MoU between FICCI-CIFTI and CCFRA was signed on 8 March 2007 to strengthen, promote and develop mutual cooperation in capacity building and trade facilitation in the agribusiness sector between India and the UK. A MoU between India and UK was being finalized for setting up labs for certification of marine products being exported to UK from India. Details would be finalized in the next meeting of the WG to be held in UK. The different interests of the participants on both sides was noted, however, it was felt that with improved cooperation joint commercial projects would be possible. The UK side undertook to widen the participation in the WG by bringing it to the attention of the relevant interested parties.

4.3 *Accountancy Working Group*

It was noted that the Working Group had met four times. The representative of the Working Group stated that both sides are undertaking a detailed review of their respective professional examinations and syllabus with the aim of achieving mutual recognition of qualifications. Both sides noted the good progress made and hoped that discussion on membership reciprocity and market access issues would be further advanced in time for the next Ministerial meeting of JETCO.

4.4 *Financial Services Working Group*

The first meeting of the WG was held on 15 January 2007, in New Delhi. The WG had a discussion on commonality of issues on both sides and opportunities for collaboration and sharing of best practices in the area of Financial Services. It was agreed by the WG that priority areas with timelines would be listed out and sub-groups in the areas of banking, insurance, capital markets and venture capital and private equity which have been established will focus on specific interests. Both sides agreed that the WG should look into the prospects for Mumbai to develop as an international financial centre. There was a need to incorporate the outcomes of the dialogue between Indian and UK institutions in meetings outside of the WG, for example, the Lord Mayor's delegation, and take these into account in determining areas of action. Both sides noted the political limitations on further liberalization of the insurance sector. Ministers would continue to engage on the special circumstances of Lloyds of London.

4.5 *Intellectual Property Rights Working Group*

Both sides noted that the signing of a Statement of Intent on future co-operation by Lord Sainsbury and Shri Kamal Nath on 27 June 2006 was a positive sign. The possibilities of inter-linking technical institutions and professionals needs to be explored. The Indian side suggested that a possible set of activities in the ambit of the structured dialogue could be provided by the UK side.

4.6 *Legal Services Working Group*

It was noted that the Working Group had met four times. The Indian side stated that Indian membership of the Working Group had been expanded to include representation from Bar Council of India. A separate meeting of the Indian representatives is being scheduled so as to take the work of the WG forward at a faster pace. Officials of both sides noted the constructive engagements by the Indian Law Minister and members of the legal professions of both India and the UK to determine the manner in which foreign and Indian lawyers could meet demand for advisory work.

4.7 *Infrastructure Working Group*

It was noted that the Working Group had met three times so far and recognized the need to generate and accelerate deal flow. There was a need to move from the general to specific investment and development opportunities. The Provision of project lists at central and state level, as agreed at the last ministerial meeting, would assist the process. The investment opportunities in development of Railway Freight Corridors in India were highlighted by the Indian side. The members of the Working Group were keen to take the initiative forward by looking at crafting new PPP projects through India Infrastructure Initiative, moving from core infrastructure to social infrastructure and partnering States and cities; concentrating on second Tier cities. CII will organize brainstorming sessions of the WG in some States at mutually convenient dates.

4.8 *Healthcare Working Group*

It was noted that this Working Group had met four times. The meeting was informed that the focus areas identified were in the sector of medtech collaboration, fast-track registration of Indian medical personnel for UK work, e-health opportunities and possible collaborations in healthcare insurance.

The Indian membership of the working group desired greater private sector participation from the UK side to ensure effective B-2-B dialogue. The Group is exploring tie-ups with UK universities for healthcare education and training. The group was discussing mutual recognition of medical degrees from reputed institutions on a case-to-case basis.

Both sides agreed that there was a need to match more closely the interests of participants in the WG. This is likely to be achieved by the formation of sub-groups with a common agenda and attract more relevant participants from business and government.

5. The co-chairs desired that all the Working Groups should meet again in the month of December 2007, to review the progress made so that the two Ministers could be briefed before the next India UK JETCO meeting scheduled to be held in January 2008.

6. Indo-British Partnership Network (IBPN)

The meeting was informed that as part of the enhancement of the IBPN a new Chief Executive Officer has been recruited and will take over in the end of August 2007. The CEO and the Advisory Board will create a new organization with a dedicated London office. The current Board will help to implement the new strategy, in collaboration with the new CEO to deliver assistance to business engaging in Indo-British commerce. The private sector will over time match the funding of £1 million committed by the UK Government.

July 2007

Supplementary evidence from UK Trade & Investment

ISSUE OF VISAS UNDER THE BUSINESS EXPRESS PROGRAMME (BEP) ARRK GROUP—18 DAY DELAY

UKVisas (Delhi) have looked into the issue outlined by the Arrk Group (Parliamentary Clerk's e-mail below relates). They believe it relates to a short period this year when there was a change in way in which Work Permit and Highly Skilled Migrant Programme (HMSP) applicants were dealt with within the Business Express Programme (BEP).

From 29 March UKVisas required all BEP applicants in the above categories to undertake document screening—a process where the documentary evidence they submitted to support their applications was verified by a company specialized in this work. The process took around 15 days—adding UKVisas own processing time to make a decision on the case equates a turnaround of around 18 days. At the time it was made clear to BEP members that if the company itself underwent a "healthcheck" by the screening company, individual applications submitted by that company would not require further checks.

The Arrk Group underwent this process in June and was accepted as cleared BEP members on 21 June. While the Group may have experienced delays in processing times between March and June, this should no longer be the case. Work Permit cases should now be dealt with within 24 hours (or on the same day if the application is received before 12:00).

18 December 2007

Supplementary memorandum from UKTI

TRADE AND INVESTMENT WITH INDIA REPORT—ONE YEAR ON

Thank you for your e-mail of 15 January 2008 seeking points of clarification and a number of final questions relating to the completion of the Committee's "one year on" report on Trade and Investment with India. This letter seeks to confirm the material provided to you by e-mail on 18 January.

As before, taking your questions in order:

1. *Was there a UK-India Investment Summit in 2007?*

At the time of the June written submission that was the anticipation—timed to coincide with the then expected visit to India by the Prime Minister in October/November 2007. In the event the visit was delayed until this month (January 2008). The Prime Minister's programme provided an opportunity for the group of senior UK business interests travelling with him to meet with the Prime Minister for India and discuss matters relating to bilateral trade and investment.

2. *Are there 91 or 88 staff in India? When does "end of this period" refer to?*

91 is the correct figure. The UKTI June 2007 written memorandum did not to take fully into account some of the re-profiling of existing High Commission staff priorities to be more trade and investment focused—equivalent to a three full time equivalent staff uplift over the 88 quoted. Asif Ahmad reference to "this period" referred to end of year.

3. *First Secretary in Mumbai focused solely on financial services?*

Resources at Mumbai have been increased to include a First Secretary Commercial whose principal role is to pursue trade and investment opportunities in the financial services sector.

4. *High Growth Market Programme (HGMP)—number of specialists with responsibility for India?*

One HGMP specialist with responsibilities for India has already been appointed and is already active on Indian issues. A second appointment is envisaged.

5. *2007 Lord Jones visit report?*

A copy of the unclassified reporting e-gram of Lord Jones visit to India last September is attached at Annex A

6. *JETCO Ministerial Report availability?*

The Joint Statement still being cleared with the Indian Commerce Ministry—a copy will be passed to the Committee once it has been released.

7. *When can we expect UKIBC's JETCO website/s?*

UKIBC's website is currently undergoing an upgrade—it is anticipated that the JETCO content will appear in early/mid February.

8. *UKTI Written Memorandum's reference to IBBOrg rather than UKIBC?*

At the time of writing the memorandum, the IBBOrg was the working title for the re-branding of the IBPN—in the event the UKIBC title was thought to better reflect the aspirations of the new organisation."

9. *What is the proper sterling valuation of the Vodafone-Hutchinson Essar deal?*

We understand the value to be US $11.1 billion—approximately £5.5 billion.

10. *Confirm that UKTIs offices are in New Delhi, Chandigarh, Chennai, Bangalore, Hyderabad, Kolkata, Mumbai, Ahmedabad (Gujarat), and Pune?*

Locations are correct.

Finally, just to reconfirm the figures provided to you earlier of UK based versus locally engaged staff in the UKTI India network, they are 17 and 74 respectively.

Annex A

FCO e-Gram 40995/07

Classification	**CLASSIFIED**
Caveat	
From	NEW DELHI
Created	10/5/07 8:36:00 AM
Subject	LORD JONES' VISIT TO INDIA: PARTNERS IN GLOBALISATION
Summary	Corrected Version, original eGram Number: 40992/07 1. High profile visit to four cities with wide press coverage. Good prospects for new inward investment, though costs/skills an issue. Regulatory reform politically difficult—regular high level dialogue our best hope of achieving step by step progress. Marketing the UK's success is essential to maintaining our credibility in this competitive market. The UKTI business conference/awards and launch of UKIBC hit this target.

DETAIL

2. Digby Jones visited Delhi, Chandigarh, Pune and Mumbai from 24–27 September (programme attached) (*not printed here*). This visit achieved its three key objectives of raising the UK's business profile, pushing for liberalisation of the economy (particularly in financial and legal services) and highlighting the attraction of the UK as a place to invest.

MARKETING UK SUCCESS

3. The depth of the UK's business links is often under-appreciated in India, as all the OECD markets jostle for position here. UK success is often hidden behind foreign brands (eg German machine tools made in UK) or embedded as consultancy/engineering (eg Mott's master plan for the New Delhi airport). The Minister made a powerful pitch for our open markets and UK manufacturing and technology strengths. He highlighted the UK's position near the top of India's current business partners: trade at £BP4bn in both directions, the UK is India's no 3 investor, and we achieve 60% of Indian investment into Europe. These investment links are supporting a range of strategic business models in both directions.

The visit generated extensive TV coverage, including two 30-minute interviews on the main business news channels—CNBC and NDTV Profit. There was wide coverage in all the Indian business papers and national and regional dailies (Hindi, Marathi, Gujarati and Urdu). The Minister's media interactions generated very positive stories. The relevant articles have been sent to London. These included: FT, Guardian and Times, and a Radio West Midlands interview.

Wide coverage of the Business conference in Mumbai and the Awards ceremony including Ratan Tata's comments at the UKTI Conference about the UK being "the most open country in the world for business" hit home a message that money can't buy.

4. *UK/India Business Conference & UK/India Business Awards*

The UKTI Conference "Partners in Globalisation" and Awards generated an audience of over 500 decision-makers (programme and list of winners attached). Three delegations joined the event (from Manchester, Yorkshire and CBC), and local RDAs were tied in. This networking has already generated discussions between Manchester Airport and Kingfisher Airlines and a potential opportunity for consultants Benoy to design F1 track/complex in India.

5. The Minister used his platform at the Conference to launch the UK India Business Council (UKIBC) in India. This will be the lead business networking/events organisation for the UK and India, closely aligned with UKTI. UKIBC will set up offices at the High Commission in Delhi and Mumbai, and hopes to use existing British Business Groups in India as a membership vehicle here.

Attracting Inward Investment

6. The Minister met senior players, including the Tata Group, Bharat Forge, UB Group, Ranbaxy, Dabur, HCL, ICICI. Detailed notes on key points will go to Business Group. Some highlights:

Bharat Forge are looking for a site for their European HQ (concerns about UK tax on dividend transfers), a new forgings plant, and possible Aerospace links. We are following up on all points, and will organise a tour of the "aerospace corridor" for MD, Baba Kalyani, in the autumn.

Tata Group Chairman Ratan Tata echoed the call for better skills in India, and for economic liberalisation. He explained the role of the Investment Commission which he chairs, and regretted that the key recommendations in its report five years ago still await implementation. He admitted that his own views of the UK had changed dramatically over the past year, opening his eyes to our strength in innovation, and high end technology, engineering and manufacturing. This, together with the open stance, had encouraged Tata to create their Pearl Assurance/Peterborough campus and xxxxxxxx (not yet publicly announced).

Tech Mahindra plan to expand their JV with BT which has operations in Belfast, Milton Keynes and Pune. Mahindra welcomed the "good work ethic" in their Northern Ireland workforce. They made familiar points about the need for India to create better infrastructure and to open up the education sector in order to produce more skilled employees—this chimes with our plans to make Education and Infrastructure themes of the forthcoming PM Summit.

7. *Energy*

Lord Jones met UK energy companies, and heard about frustrations faced by Premier and Cairn on their large exploration and pipeline projects. The Minister will write to Petroleum Minister Deora (who was out of town), making the case for a timebound and transparent decision making process, which will be essential to bring in sufficient FDI to power India's growing infrastructure needs. We will also aim to use Deora's proposed visit to UK in the autumn to showcase UK capability, including in clean energy technologies.

8. *Pushing for liberalisation*

Lord Jones raised financial services liberalisation with the Finance Secretary (PUS) Subbarao and with Governor Reddy at the Reserve Bank of India (RBI). On Insurance, Subbarao confirmed that parliamentary arithmetic would determine when the Insurance bill could be passed, but he did not expect it to happen before the year end. On Banking, Reddy did not give any ground on the expansion of bank branches, or a clear response on the need for foreign banks to obtain a banking license for their admin offices. Lord Jones said he hoped the plans for new FDI caps on non-banking financial companies would not adversely affect Experian's credit information business. We are following up with a detailed letter on all these issues. There is a danger that the 200? *Roadmap for Banking Reform* will slip. To reduce this risk, we need to work with EU, US and others to tie the Government down to its commitments. As part of this strategy, we plan to hold a major seminar on the Roadmap next year.

9. In Lord Jones' meeting with the Law Minister, Bharadwaj reiterated his strong support for liberalisation, and his (over?) optimistic expectation of passing laws to enable foreign lawyers to practise by early 2008. Bharadwaj visits the UK next month, and the Bar Council are expected to visit in November. We will continue to track progress closely with the Law Society. As a follow up to this meeting, the Minister will write to Bharadwaj with detailed questions about how the new legislation and accompanying regulations will work in practice.

10. *The Economy*

The Minister saw at first hand the high levels of corporate growth and confidence here. Companies are eager to expand, both organically (eg pharma companies moving up the value chain) and through M&A. There was strong interest in listing in London (LSE and AIM).. The subprime mortgage maelstrom had had little effect on the real economy, though Governor Reddy was concerned about increased liquidity resulting from capital inflows from the US and Europe. He thought growth was on track for at least 8.5% this year, and that inflation would remain under 5% (Comment: It is now down to 3.3%).

11. Subbarao was not complacent about India's 8.5% growth over the past five years. This was still not sufficiently inclusive. For the first time in India's history, job creation was now outpacing population growth (though for demographic reasons not labour force growth). The 60% of the population who depended on agriculture—just 18% of GDP—represented the country's biggest challenge. The Government needed to generate 4% growth in this sector, including large numbers of manufacturing sector jobs. India could not

rely on services alone, which generally required higher skills. Indeed, growing concerns about whether India could supply the skilled workforce needed to sustain economic success was the dominant theme of a lunch with leading economists.

12. *Immigration*

Several companies complained about UK work permits, which require an employee to have completed 6 months work in a company. In today's fast moving marketplaces (especially India with high staff turnover rates), this puts us at a disadvantage against some other countries. The Minister agreed to follow up with the Home Office. UK companies are also facing problems getting visas for their expat staff and families. We will collate further information through the British business groups in India and raise again with the MEA.

13. *West Midlands and People issues*

The Minister visited St John's School in Chandigarh, where he presented a football to local children as a symbol of the recently launched partnership between the Punjab and Wolverhampton.

14. *Comment*

This visit set out strong commitment to being one of India's top business partners—now and in the future. We must sustain this pitch to government and business leaders—the Summit will be the next milestone in the dialogue. The Summit business delegation and conference will focus on six top sectors: financial services, infrastructure, energy, advanced engineering, pharmaceuticals and ICT/telecoms. Our bid for new business here will be more credible if we can get visibility for "unseen" UK success (eg 25% of Boeing aircraft, embedded systems in every mobile phones) and for foreign brands produced in the UK (eg auto components, machine tools). It would be useful to have some material from UKTI's Marketing team to help us hit this message home.

The Government is likely to bow to domestic political pressures to go slow on big ticket regulatory reform in the medium term—we are most likely to get deliverables which don't involve legislation or political risk (though the Limited Liability bill, if it gets passed in the autumn, will be a step in the right direction for accountants and lawyers). Our objective is to keep the Government's feet to the fire on insurance and banking, though this could be a long game. We must also stress the win-win nature of joint work on financial services, PPP, education and clean energy, and the impact these sectors will have on India's 900 million people living on under $2 per day.

24 January 2008

Supplementary memorandum submitted by UKTI

Following comprehensive joint reviews, UK Trade & Investment (UKTI) and the English Regional Development Agencies (RDAs) have agreed new arrangements for delivering inward investment promotion overseas and trade support in the English regions. The overseas review also involved close consultation with Devolved Administrations (DAs), to whom this responsibility is delegated. Designed to improve coordination, avoid duplication and deliver value for money, the changes will bring together the management and branding of overseas investment activity on a national basis and better align international trade support with other business support at a regional level. The new arrangements will be kept closely under review to ensure they deliver effective alignment of regional and national resources and best value for money.

UKTI will be announcing the outcome of the reviews tomorrow. The announcement and the reports are strictly embargoed until 9.00 am on 5 March.

Overseas Representation

In its five-year strategy, *Prosperity in a Changing World*, UKTI committed to working with the nine English RDAs and the Devolved Administrations to review overseas representation. Supported by research and analysis from consultants Arthur D Little (ADL), the review set out to determine how resources deployed overseas could be used to maximum effect.

ADL's report found that current arrangements are effective and have helped the UK succeed in winning an increasing amount of foreign direct investment (FDI). The RDAs and the DAs add significant value to UKTI's activities overseas, providing the expertise and detailed regional knowledge essential to foreign companies when making their investment decisions. Last year, the UK was the leading recipient of FDI in Europe and second only to the US worldwide. Some 1,431 inward investment project successes were recorded, leading to the creation and/or safeguarding of 78,357 UK jobs. Of these, some 70% were associated with project successes in which UKTI, the RDAs and DAs were directly involved.

Significantly, ADL's research found no evidence that potential investors thought the arrangements particularly confusing or duplicative. Feedback from a customer survey found that over 90% of investors perceived services to be co-ordinated, of which 70% are in the well or very well co-ordinated category. No investors perceived the services to be very confused.

However, the review concluded that more could be done to strengthen existing arrangements and drive better co-ordination. As a result UKTI and the RDAs have agreed a new model for overseas representation which will see UKTI lead the co-ordination of a fully integrated overseas network, including co-ordinated strategies, business planning, consistent branding across England and promotional activity. Additionally, this will involve working alongside the DAs in line with their own inward investment promotion responsibilities. UKTI and the RDAs will agree performance measures, to provide a clear picture of joint impact, and common UKTI led evaluation; and options for co-location of teams and joint procurement will be explored to help achieve better value for money.

Work will begin immediately to take forward implementing these new working arrangements, with implementation in three pathfinder markets from mid 2008 and full implementation by April 2009.

Regional Trade

UKTI's five year strategy also committed to jointly reviewing, with the RDAs, UKTI's international trade operations in the English regions. The review focused on raising UK productivity via business internationalisation and included analysis from consultants London Economics. It found clear benefits to UKTI retaining its regional network, though recommended closer links between international trade operations and other business support services in the regions.

Based on these recommendations, UKTI and the RDAs have agreed a number of changes to align activity with that of other services, including Business Link. The changes will provide a simpler, more integrated service to companies who wish to go global. Going forward, the RDAs will have a greater role in business planning and delivery of international trade activity in the regions to ensure that regional needs are more fully reflected. Under this model, the links between the regional and overseas networks which are crucial to the quality and scope of UKTI's offer to companies in the English regions, and with it the economic impact, will be maintained.

I am sending you the AD Little and London Economics reports with this letter. The reports will be published tomorrow on the UKTI website.

I have also written to Mike Gapes MP, Chairman of the Foreign Affairs Committee and am copying this letter to Lord Jones.

3 March 2008

Supplementary memorandum submitted by UKIBC

Response to further queries from the Committee:

UKIBC Representation in India

UKIBC has appointed its first representative in India. The representative is based in Mumbai on a consultancy contract until September, when UKIBC hopes to move into offices, when we shall recruit a full-time post. We are working with the High Commission to finalise the job description for a Delhi post and hope to have a staff member in place by September when we move into our new offices there.

Visas

With regards to Visas, it is UKIBC's view that there are some pitfalls in the system that if rectified could be of gross benefit to cross border investment.

Student Visas

It is vital that foreign students have the same opportunities to stay on in the UK and seek employment, regardless of where they studied. At present under the Fresh Talent scheme, non-EEA nationals who have successfully completed an HND, degree course, Masters or PhD at a Scottish university or college and have lived in Scotland during their studies, can apply to stay in Scotland for up to two years after completing their studies to seek and take work, in comparison to just one year in England and Wales. Whilst few employees are unlikely to knowingly take on staff that will only be in the country for 12 months, there are also other implications for certain industries. For example, for the accountancy industry—a thriving sector for Indian graduates—these stipulations precludes such individuals from obtaining employment, either in the corporate sector or in an accountancy firm in public practice, as to study and obtain relevant work experience in order to qualify as a professional accountant in the UK with a UK accountancy institute, takes between three years and five years to obtain such a qualification.

HSMP

A change that would help trade and investment with India and indeed other countries would be the relaxation of the mandatory requirement under the HSMP for the applicant to have a degree (many talented skilled nationals indeed many entrepreneurs do not have degree).

Overall the UK system does make it easy for overseas nationals including Indians to enter the UK for employment and business. The disadvantages are however:

- Requiring a visa for even business trips. Perhaps the British High Commission and Consulates could make this easier—it can be difficult for some Indians to obtain visas as often the entry clearance officer assumes that the applicant intends to remain in the UK.
- The HSMP requires a degree and although the Indian work force is well educated many talented nationals do not have degrees. Perhaps there could be recognition of qualifications that are not degrees and a greater encouragement for Indians with certain skills to come to the UK.
- Promotion of the working holidaymaker scheme in India.

In addition, favourable tax schemes, exchanges schemes between Indian and the UK, more favourable deals offered by Development Regions and greater recognition of Indian qualifications which are not of UK degree level may also help.

Also, with the introduction of the Points Based System, applications will primarily be made at British posts abroad. It must be ensured that there is uniformity in assessing applications as currently posts vary widely with those in the US, for example, enjoying low refusal rates compared to those in India which have very high refusal rates.

A lack of mutual recognition of qualifications remains a large issue when professionals are trying to enter the UK to seek employment.

EU Visas

This is another area of contention. Indians living in the UK on Indian passports but who have a right to stay require visas to enter the Schengen countries—because UK stayed out of the treaty. The procedures to get a Schengen visa are very difficult and restrictive for those requiring business travel within Europe. In order to promote the UK to Indian investors as the "gateway to Europe" it is vital that the restrictions on Indians who have permanent residence in the UK, are lifted to enable them easier access to the EU. At present they do need a visa and they are only ever given single entry or limited three to six months. This is a major disincentive, when compared to the USA and Canada who often give 10 years multiple entry visas.

Investment Summit

With regards to the Investment Summit, just to clarify, I believe you are referring to the Summit that was initially proposed for November 2007 (to coincide with the PM's visit), however when the visit was postponed to January, the Summit was cancelled. UKIBC believes that in order to establish sustainable relationships that are driving forward the business agenda, delivering practical outcomes and enabling deals to be done, it is imperative to have structured and regular discussions. With that in mind, it is disappointing that the Investment Summit did not happen as planned, however it is more than evident that there remains a great deal of opportunity for engagement, and UKIBC seeks to actively encourage and support future dialogue.

Membership Fees Model

As it stands, membership tiers are structured as follows:

Associate member—£1,000 per annum
Small corporate (turnover up to £3 million)—£600 per annum
Medium corporate (turnover £3–10 million)—£1,500 per annum
Large corporate (turnover £10 million plus)—£3,000 per annum
Corporate Plus—£10,000 per annum
Strategic Partner—£30,000 per annum

Corporate plus

Key benefits

- Opportunity to serve on UKIBC board, subject to first year's membership and nominations committee.
- Co-Chair of sector or issue based fora providing thought leadership.
- Opportunity to provide speakers for key events and seminars.
- Market entry advice and support.
- Consultation with JETCO policy sector groups.
- Contact with UKIBC Executive Board.
- Next Generation India*: 3 Complimentary Memberships.

Additional benefits

- Sector overviews and networking events.
- Discounts on UKIBC partner events.
- Access to UKIBC events, with exception of invitation only events.
- B2B matchmaking service.
- Opportunity to use UKIBC facilities on a limited basis.
- Access to official tender notifications.
- Discounted rates for Business Advisors in UK.
- Discounts on bespoke research services.
- Access to latest research, trade statistics and economic forecasting.
- Input into policy and research initiatives.
- Access to UKIBC sector fora.
- Agreed package of support from UKIBC each year.
- Support for sector and regional activities.
- Access to case studies.
- Invites to visiting Indian business leaders and government roundtables.
- Invitation to member briefings on key issues by guest expert speakers.
- Access to members directory (code of conduct applies).
- Access to members section of UKIBC website.
- Information and Insight via newsletter and magazine.

Support in India

- Short term use of UKIBC Business Centre in India with preferential rates for longer term use.
- Bespoke events in India.
- Key introductions.
- Meeting and trip planning.

Strategic Partnership (Minimum 3 year commitment)

Key benefits

- Attendance at senior level events and invited Indian Government events in UK and India.
- Access to UKIBC Ministerial business delegations and events.
- Opportunity to provide speakers for key events and seminars.
- Partnership with UKIBC to create specific events/research.
- One sector specific dinner/lunch built around policy support.
- Branding: UKIBC website, relevant literature, and flagship events.
- Chairmanship of sector group (one sponsor per sector).
- Specific event or piece of research around company need.
- Contact with UKIBC Executive Board.
- Consultation with JETCO policy sector groups.

— Bespoke policy advice.
— Priority access to Government officials at UKIBC events.
— Next Generation India*: 4 complimentary memberships.

Additional benefits

— Sector overviews and networking events.
— Discounts on UKIBC partner events.
— Access to UKIBC events, with exception of invitation only events.
— B2B matchmaking service.
— Opportunity to use UKIBC facilities on a limited basis.
— Opportunity to serve on UKIBC board, subject to first year's membership and nominations committee.
— Access to official tender notifications.
— Discounted rates for Business Advisors in UK.
— Discounts on bespoke research services.
— Access to latest research, trade statistics and economic forecasting.
— Input into policy and research initiatives.
— Access to UKIBC sector fora.
— Access to case studies.
— Invites to visiting Indian business leaders and government roundtables.
— Invitation to member briefings on key issues by guest expert speakers.
— Access to members directory (code of conduct applies).
— Access to members section of UKIBC website.
— Information and Insight via newsletter and magazine.

Support in India

— Short term use of UKIBC Business Centre in India with preferential rates for longer term use.
— Bespoke events in India.
— Key introduction and trip planning.

March 2008

Memorandum submitted by the University of Cambridge

Sincere thanks for your letter following the dinner at Trinity College on 5 December. As promised, I now write to update and report back to you on my visit. Please feel free to share with the Select Committee any or all of this.

I am an optimist by nature but even I would not have predicted the warmth of the welcome we received from academic colleagues, alumni and friends across India. It was truly an affirmation of the long-standing bonds between India and the University of Cambridge.

The purpose of our visit to New Delhi, Bangalore, Kolkata and Mumbai was to increase the visibility of Cambridge's many links with India to give formal recognition to some of our existing collaborations, and to explore and build new partnerships in both the academic and the industry sectors. It also gave me the opportunity to meet with many Cambridge alumni from all four cities and beyond.

In Delhi, I had the privilege to attend a private lunch at the Prime Minister's Residence where I was able to thank the Prime Minister, Dr Manmohan Singh, in person for the generous gift of the Indian Government which has established the Jawaharlal Nehru Professorship in Indian Business and Enterprise and Judge Business School. The announcement was widely covered by the Indian media, but the continuing press coverage throughout the visit was particularly pleasing. I enclose a selection of this coverage for your information.

We produced a booklet to accompany the visit, a second copy of which I have pleasure in enclosing (*not printed here*), which identifies some 50 academic partnerships between Cambridge and India. While it gives a flavour of the breadth and depth of Cambridge's interactions with India, it is by no means exhaustive. I also enclose a copy of a summary report that we produced for Prime Minister Gordon Brown ahead of his visit to India later in January (*not printed here*).

I was joined at various stages of the trip by more than 20 senior academics, all of whom have significant existing relationships in India. Many of these colleagues ran and participated in joint workshops in areas of social and development economics, nanoscience, structural biology, stem cell biology, product design and innovation and entrepreneurship.

Looking ahead, it is fundamentally important that Cambridge's relationships with India should be real partnerships, characterized by exchange rather than a one-way flow, and I am pleased to report that we signed five MOUS with academic institutions and industry, primarily to encourage Cambridge students and academics to spend time in India. It is my strong hope that Cambridge will continue to attract some of the best and brightest minds from India to study at Cambridge both at undergraduate and postgraduate level.

This is all very much a work of progress. I was inspired by the experience we had, by the close relationships between collaborating academics in Cambridge and India, and by the opportunities to do more together. I was moved by the enthusiasm of Cambridge alumni wherever we went and excited by the possibility of working more closely with industrialists, entrepreneurs, and India's emerging innovation ecosystems.

All this has already led me to a firm decision to return to India in a year's time, and many of my colleagues will be making regular visits over the coming months. I also hope that over then next few months I will be able to seek your advice and support, and indeed to meet and share with many of you some of my experience as we move forward together.

22 January 2008

Printed in the United Kingdom by The Stationery Office Limited
4/2008 388759 19585