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Research Paper

INDO-UK TRADE RELATIONS: TRENDS & PROSPECTS

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ABSTRACT

Indo- UK trade and economic relations are based on shared values & culture and historic ties. Historical data reveals that the major portion of India's foreign trade was with United Kingdom and USA. India's relations with U.K. have been remained reasonably strong even over six decades since India's Independence in 1947. The bilateral trade between two countries has increased many folds in recent years. The value of Indian exports to UK was US\$ 1185 Million in 1994-95 which increased to US\$ 9351 Million in 2014-15. India is enjoying a trade surplus with UK since 2004-05 to 2015-16. Despite increasing trade volumes and growing economic & strategic ties, several problems continue to strain Indo-UK trade performance. However recent increase in trade with UK clearly indicates that there exists huge untapped potential for growing trade between India and UK but this potential needs to be realized. This paper attempts to provide a synopsis of India's bilateral trade relations with UK in recent years. Further, efforts are made to suggest, on the basis of findings of the study, various measures which would boost and escalate India's trade relationship with the UK.

KEYWORDS: CAGR, Bilateral trade, Composition, Direction, India, UK, Commodity

1. INTRODUCTION

International trade constitutes the single most important plank of India's external relations with the world. India-UK trade relations go back at least 400 years, if not longer. Both the countries are bound by strong ties of shared history and culture. Foreign trade makes an important contribution to economic growth in both India and UK. India is one of the most emerging economies of the world. Due to its glorious past and an amicable trade environment, India has genuine and strong relationship with many countries of the world. Traditionally, India's trade relations were confined to its year aged trade partners like UK and USA. India UK trade relations existed even before independence which was based on mutual trust and colonial relationship. UK was the Indian gateway to Europe as majority of the

goods exported to UK from India were then re-exported to other parts of Europe (Shafi, 2011). UK remained India's major trade partner even after independence as India's trade was not as diversified as it is today. At the time of independence, India's major exports were with UK and USA. The cumulative share of UK and USA in India's export earnings with UK was 42 per cent in 1950-51. The share of UK and USA in India's imports was 39.1 per cent in above stated year, (Mathur, 2010). Moreover, India's trade relations with other industrialized nations like, Belgium, France, Italy, Japan as well as with developing countries like China, UAE and Saudi Arabia was quite insignificant during the above stated period, (Economic Survey, various issue).

Prior to economic reforms of 1991, the external sector of Indian economy was strictly regulated by the

government through various rules, policies, licenses and restrictions. It was after the economic reforms of early nineties, Indian economy was opened up to form bilateral trade relations with various countries. The liberalization and globalization of Indian economy has benefited the country to boost its trade relations with other countries of the world. In 1995, with the inception of World Trade Organization (WTO), a number of trade barriers and other restrictions to trade have been lifted to promote and boost international trade relations among nations. With the growing economic and political relations with countries across the globe, India's trade has now become more diversified and broad based. Consequently the share of above two countries in India's exports decreased while the share of other developing countries of Asia and OPEC region increased in recent years. The share of UK in India's exports was 6.41 per cent in 1994-95 while the share of UK in India's import was 5.44 per cent during the same year. From the past several years, India's trade with UK is on the decline. The current share of UK in India's total trade is found to be 3 per cent which reflects that, there exists an opportunity for both the partners and there is urgent need to rejuvenate their relationship. As per the data revealed by Office for National statistics, UK, India ranked 13th largest trade partner of UK in 2014. India is 3rd largest economy and UK is at 9th rank in the world when adjusted for differences between countries to the cost of goods and services (IMF, 2016). India is transforming herself into global super power which represents a great opportunity for UK.

India's key exports to the UK are readymade garments and textiles, transport equipment, spices, ores & minerals, manufactures of metals, machinery and instruments, drugs & pharmaceutical and marine products. The major commodities that India imports from UK are Gems and jewellery Inorganic Chemicals, Organic Chemicals, Chemical Materials and Products, Iron and Steel, Fertilizers, Plastic & plastic articles, Capital Goods, Professional & Scientific Equipments and Nuclear reactors, boilers, machinery & mechanical appliances.

2. OBJECTIVE OF THE STUDY

The present paper intend to

- Analyse trends and composition of India-UK trade
- Discuss the next steps in promoting bilateral trade relationship between India and UK

3. METHODOLOGY

The study is exclusively based on the secondary data. Data for the purpose of the study has

been retrieved from RBI handbook of Statistics on Indian economy. Data Bank of DGFT has been used to retrieve data pertaining to the commodities exports and imports from UK that actually belong to about 99 major commodity groups codified as per ITC (HS) code but due to the constraint of time and space, only major commodity groups were taken for research analysis. The selection of the major commodity groups has been done objectively on the basis of their import and export value. The time period of the study is taken from 1994-95 to 2015-16 (WTO was established in the year 1995). The direction and composition of exports and imports have been analyzed with the use of percentage and ratio methods by taking yearly and over period changes in trade flows.

The Compound Annual Growth (CAGR) in export & import commodities is compared by using following exponential function;

$$Y=ab^t e$$

Where- Y= Dependent variable (i.e. exports/ imports earnings)

a= Intercept

b= Regression co-efficient

t= Time variable

e= Stochastic term

The above equation can be transformed into logarithmic form as follows-

$$\ln Y = \ln a + t \ln b + e$$

The compound growth rate has been worked out as follows:

$$CAGR = [\text{AntiLn of } \ln(b) - 1] \times 100$$

4. BILATERAL TRADE ANALYSIS & INTERPRETATIONS

UK has always been a major trading partner to India among EU member countries. Despite the continuing global economic recession and Euro zone crisis that hit the trade of entire world badly both India and UK are committed to work closely together to strengthen bilateral trade relations between them. India's exports to UK and Imports from UK have gone through significant changes between 1994-95 and 2015-16. In the following table-1, trade between India and UK in terms of India's exports to UK and Imports from UK to India, total trade and trade balance between India and UK have been shown. The value of India's exports to UK, total imports from UK and India's total trade with UK increased in value terms during the period under study. India's exports to UK grew at a CAGR of 8.19 per cent and Imports from UK grew at a CAGR of 5.88 per cent during the above stated period as could be seen from the table.

Trade balance between India and UK remained positive during 1994-95 to 2015-16 except in 1999-2000 when it showed a deficit of US\$ 402 million.

Table-1: Indo- UK Bilateral Trade since 1994-95-2015-16

(US\$ Million)

Years	Exports to UK	Imports from UK	Total trade with UK	Trade Balance
1994-1995	1689	1559	3248	130
1999-2000	2304	2706	5010	-402
2004-2005	3681	3566	7247	115
2008-2009	6597	5819	12416	778
2011-2012	8590	7566	16156	1024
2012-2013	8652	6291	14943	2361
2013-2014	9830	5957	15787	3837
2014-2015	9351	5026	14377	4325
2015-2016	8863	5186	14049	3677
	CAGR=8.19 %	CAGR=5.88%	CAGR=7.21%	

Source: RBI handbook of Statistics on Indian economy, 1994-95-2015-16

UK's Share in India's Total Exports

The rising trend in exports to UK as compared to its imports, bring testimony to the fact that UK is still a preferred market for Indian products, as can be seen from table-2. In absolute terms (i.e value) India's exports to UK were US\$ 1689 million in 1994-95, US\$ 2304 million in 1999-00, US\$ 3681 million in 2004-05, US\$ 6597 million 2008-09, US\$ 8652 million in 2012-13 and US\$ 9830 million in 2013-14 depicting an increasing trend but in relative terms (i.e percentage share) this trend is not satisfactory as UK's share is continuously declining.

The share of UK in India's exports fell from 6.41 per cent in 1994-95 to 4.40 per cent in 2004-05 which further declined to 3.56 per cent in 2008-09. This decline was more intense during 2008-09 to 2011-12 due to the wide spread recession and euro zone crisis in European countries. Consequently the share of UK further decreased and reached to 2.81 per cent in 2011-12. However during 2012-13 to 2015-16 the share of UK in India's exports improved slightly from 2.88 per cent in 2012-13 to 3.38 per cent in 2015-16.

Table-2: UK's Share in India's Total Exports during 1994-95-2015-16

(US\$ Million)

Years	Total Exports to UK	Total Exports to World	Per cent Share of UK
1994-1995	1689	26330	6.41
1999-2000	2304	36822	5.52
2004-2005	3681	83535	4.40
2008-2009	6597	185295	3.56
2011-2012	8590	304623	2.81
2012-2013	8652	300400	2.88
2013-2014	9830	314415	3.12
2014-2015	9351	310352	3.01
2015-2016	8863	262003	3.38

Source: RBI handbook of Statistics on Indian economy, 1994-95 to 2015-16

UK's Share in India's Total Imports from World

UK has also been an important source of imports for India. India's imports from UK have expanded over the period. In the following table-3, UK's share in India's total imports to the world has been shown. It is evident from the table that UK's share in India's total imports is increasing since 1994-95 in value

terms but its relative share in India's total imports found to be declining like that of exports. India's total imports from UK rose from US\$ 1559 million in 1994-95 to US\$ 3566 million in 2004-05 and further to US\$ 7566 million 2011-12. But the relative share of UK in India's total imports from rest of the world fell sharply from 5.44 per cent in 1994-5 to 3.19 per cent in 2004-05. The share of UK in India's imports is continuously declining since

2004-05 as this accounted for only 1.91 per cent in 2008-09 which further decreased to 1.36 per cent in 2015-16 as reflected from the table. The reason attributed to UK's sliding share is India's growing trade partnership with

newly emerging developing economies especially from Asian and OPEC region. China and UAE have emerged as the leading importers of India in recent years.

Table-3: UK's Share in India's Total Imports during 1994-95 to 2015-16

(US\$ Million)

Years	Total Imports from UK	Total Imports from World	Per cent Share of UK
1994-1995	1559	28654	5.44
1999-2000	2706	49670	5.44
2004-2005	3566	111517	3.19
2008-2009	5819	303696	1.91
2011-2012	7566	489417	1.54
2012-2013	6291	490736	1.28
2013-2014	5957	450231	1.32
2014-2015	5026	448033	1.12
2015-2016	5186	380356	1.36

Source: RBI handbook of Statistics on Indian economy, 1994-95-2015-16

Composition of India's Exports to UK

Composition of export represents the type of products which are exported from one country to another country. An analysis of the composition of Indian exports to another country reflects the demand and market share of our products in foreign markets. In the starting of the relationship with India, UK was an importer of Indian goods including specifically spices and exotic food items as India was basically the exporter of primary goods. But with the structural transformation

of Indian economy the export pattern of the country has changed considerably. The principal items of Indian exports to UK includes Gems and Jewellery, Products of Chemicals, Readymade Garments, Cotton, Tobacco and its Substitutes, Carpets, Leather and its Articles, Engineering Goods, Rice, Tea and Mate, Spices, Coffee and its Substitutes, Cashew Kernels etc. In the following table-4, India's major items of exports to UK and UK's respective share in India's exports of different commodities have been shown.

Table-4 UK's Share in India's Exports of Major Commodities

(US\$ Million)

Commodity	1994-95	1999-00	2004-05	2008-09	2011-12	2012-13	2013-14	2014-15	2015-16
Tea									
World	310	411	409	584	863	859	805	682	720
UK Value	51	41	44	69	101	102	59	57	64
UK's Share	16.45	9.97	10.75	11.81	11.70	11.87	7.15	8.35	8.88
Coffee									
World	333	331	237	490	946	866	793	813	782
UK Value	6	4	2	3	9	7	7	10	7
UK's Share	1.80	1.20	0.84	0.61	0.95	0.80	0.88	1.23	0.89
Rice									
World	384	721	1506	2427	5032	6231	7782	7855	5773
UK Value	26	40	63	94	143	166	144	157	153
UK's Share	6.77	5.54	4.18	3.87	2.84	2.67	1.85	1.99	2.65
Tobacco									
World	81	232	279	752	836	925	1013	959	984
UK Value	18	28	18	17	33	22	15	11	5
UK's Share	22.22	12.06	6.45	2.26	3.94	2.37	1.48	1.14	0.50
Spices									
World	195	407	419	1378	2749	2815	2503	2428	2501
UK Value	11	25	25	69	119	114	104	101	115
UK's Share	5.64	6.14	5.96	5.00	4.32	4.04	4.15	4.15	4.59
Cashew									
World	397	567	554	637	928	753	842	910	767
UK Value	21	44	31	19	22	19	19	20	13
UK's Share	5.28	7.76	5.59	2.98	2.37	2.52	2.25	2.19	1.69

Marine Products									
World	1126	1182	1439	1536	3461	3461	5062	5509	4763
UK Value	52	46	81	65	99	91	145	162	135
UK's Share	4.61	3.89	5.62	4.23	2.86	2.62	2.86	2.94	2.83
Leather Manufactures									
World	1610	1590	2421	3556	4788	4807	5590	6025	5401
UK Value	182	262	297	407	538	592	643	726	692
UK's Share	11.30	16.47	12.26	11.44	11.23	12.26	11.50	12.04	12.81
Gems & Jewellery									
World	4500	7502	13761	27995	46900	43457	41379	41248	39463
UK Value	67	133	221	563	506	486	406	478	516
UK's Share	1.48	1.77	1.60	2.01	1.07	1.11	0.98	1.15	1.30
Chemical & Allied Goods									
World	3066	4706	12443	16711	37190	39929	12301	12472	11731
UK Value	96	132	269	519	807	835	291	299	265
UK's Share	3.13	2.80	2.16	3.10	2.16	2.09	2.36	2.39	2.25
Engineering Goods									
World	3508	5152	17348	47285	67093	65288	64078	73114	60569
UK Value	216	336	902	2028	2451	2632	2567	2717	2278
UK's Share	6.15	6.52	5.19	4.28	3.65	4.03	4.00	3.71	3.67
Cotton Yarn, Fabric etc.									
World	2233	3089	3450	4115	6805	7516	11090	10779	10100
UK Value	233	194	154	134	172	189	292	304	273
UK's Share	10.43	6.28	4.46	3.25	2.52	2.51	2.63	2.82	2.70
Readymade Garments									
World	3281	4765	6561	10935	13668	12925	14994	16836	16956
UK Value	317	346	656	1290	1495	1493	1661	1858	1801
UK's Share	9.66	7.26	9.99	11.79	10.93	11.55	11.07	11.03	10.62
Jute & Jute Manufactures									
World	150	125	276	299	457	387	382	347	563
UK Value	15	10	15	31	27	23	29	28	32
UK's Share	10.00	8.00	5.43	10.36	5.90	5.94	7.59	8.06	5.68
Carpets									
World	560	581	636	775	845	981	1178	1306	1441
UK Value	16	26	42	37	43	91	78	70	84
UK's Share	2.85	4.47	6.60	4.77	5.08	9.27	6.62	5.35	5.82

Source: RBI Handbook of Statistics on Indian Economy, 1994-95 to 2015-16.

Commodity-wise Analysis of exports to UK

It is evident from the table that the principal commodities being exported from India to UK are agro based commodities that includes Tea, Coffee, Rice, Sugar, Tobacco, Spices and Cashew Kernels etc. as India has been a leading exporter of agro based commodities to rest of the world. India's exports of these commodities is found to be increasing in value terms but the value of exports to UK for these commodities is found to be declining during the stated period. However in case of certain commodities the value of exports to UK found to be increasing. A close analysis of commodity wise exports to UK has been made.

Tea: India has been a leading tea exporter in the world. UK accounted for 16.45 per cent share of the total tea exports of India in 1994-95 that declined to 10 per cent in 1999-00 but improved slightly to 11.81 per cent in 2008-09 and to 11.87 per cent in 2013-14. But after that UK's share started declining and reached to 8.88 per cent in 2015-16.

Coffee: The share of UK in India's total exports of coffee found to be declining from 1.80 per cent in 1994-

95 to 1.20 per cent in 1999-00 which further declined sharply and reached to 0.88 per cent in 2013-14.

Rice: India has been a leading exporter of rice (popular variety of Indian basmati rice is globally popular) to rest of the world. However UK's share in India's total exports of rice was only 6.77 per cent in 1994-95 which declined to 5.54 per cent in 1999-00 and to 4.18 per cent in 2004-05. UK's share in India's total exports of rice found to declining during the period under analysis. In 2015-16 UK's share was 2.65 per cent of Indian exports of rice to the world.

Tobacco: The share of UK in India's total exports of tobacco fell drastically from 22.22 per cent to 12.06 per cent in 1999-00 and further to 6.45 per cent in 2004-05. UK's share declined enormously and reached to only 0.50 per cent in 2015-16.

Spices: UK, once a leading importer of spices from India has lost its dominant share in India's export basket. In 1994-95, UK accounted for only 5.64 per cent in India's total exports of spices that increased slightly to 6.14 per cent in 1999-00 but further declined to 5.96 per cent in 2004-05 and to 5.00 per cent in 2008-09. Share of UK in India's exports of spices to the world remained stagnant around 4 per cent from 2011-12 to 2015-06.

Cashew: UK's share in India's total exports of cashew increased from 5.28 per cent in 1994-95 to 7.76 per cent in 1999-00 but declined to 5.59 per cent in 2004-05. UK's share in Indian exports of cashew to rest of the world found to be declining in subsequent years.

Marine products: UK's share in India's global exports of marine products exhibited somewhat similar trend as other commodities in agriculture & allied product category. UK's share in India's marine products export was 4.61 per cent in 1994-95 which increased to 5.62 per cent in 1999-00 but further fell drastically in subsequent years and reached to 2.83 per cent in 2015-16.

Leather Manufactures: India's manufactured products exhibited quite satisfactory performance in foreign markets as the value of India's global exports of leather manufacture as well as the value of exports to UK found to be increasing during 1994-95 to 2015-16. The share of UK in India's exports of leather manufactures increased from 11.30 per cent in 1994-95 to 16.47 in 1999-00 but declined to 12.26 per cent in 2004-05 and to 11.44 per cent in 2008-09. However UK's share improved to 12.26 per cent in 2012-13 to 12.81 per cent in 2015-16.

Gems & Jewellery: The share of UK in India's global exports of gems & jewellery found to declining during the period under study.

Chemical & Allied goods: UK's share in India's exports of chemical & allied goods was 3.13 per cent in 1994-95 which declined to 2.80 per cent in 1999-00 but further increased to 3.10 per cent in 2004-05. However in subsequent years UK's share found to be declining.

Engineering goods: UK's share in India's exports of engineering goods was 6.15 per cent in 1994-95 which increased to 6.52 per cent in 1990-00 but declined slightly to 5.19 per cent in 2004-05. Since 2008-09 to 2015-16 it remained stagnant around 4 per cent of India's global exports of engineering goods.

Cotton Yarn & Fabrics: UK's share in India's global exports of cotton yarn & fabric etc. declined considerably from 10.43 per cent in 1994-95 to 6.28 per cent in 1999-00 and further to 4.46 per cent in 2004-05.

Readymade Garments: The share of UK in India's global exports of readymade garment increased from 9.66 per cent in 1994-95 to 9.99 per cent in 2004-05. Throughout the period under study UK's share remained stagnant around 11 per cent of India's total exports to world.

Jute & Jute manufactures: UK's share in India's total exports of Jute & Jute manufactures and carpets exhibited ups and downs during 1994-95 to 2015-16. In some years UK's share was found to increasing but in some years it was found to be declining. Similar trend was evident in case of UK's share in exports of carpets.

Composition of India's Imports to UK

Composition of import represents the type of products which are imported to one country from another country. An analysis of the composition of Indian imports from another country reflects the demand for their products in home market and our dependence on imports of that particular market. In the first of the relationship with UK, India was an importer of manufactured item and other capital goods especially machinery etc. The composition of imports from UK to India and UK's respective share in India's total imports during 1996-97 to 2015-16; have been shown in following table-6. The major commodities that India imports from UK are Gems and jewellery Inorganic Chemicals, Organic Chemicals, Chemical Materials and Products, Iron and Steel, Fertilizers, Plastic & plastic articles, Capital Goods, Professional & Scientific Equipments and Nuclear reactors, boilers, machinery & mechanical appliances.

Table-6 UK's Share in India's Imports of Major Commodities

(US\$ Million)

Commodity	1996-97	1999-00	2004-05	2008-09	2011-12	2012-13	2013-14	2014-15	2015-16
Inorganic Chemicals									
World	916.02	1335.59	1809.44	4726.87	5794.89	5282.82	4796.57	5136	5068.24
UK Value	7.16	16.12	16.83	27.11	38.46	63.15	39.54	51.53	40.79
UK's Share	0.78	1.20	0.93	0.57	0.66	1.19	0.82	1.00	0.80
Organic Chemicals									
World	1973.92	1745.56	4180.78	8607.81	14443.04	15702.45	17044.20	17746.42	15618.20
UK Value	75.65	69.22	63.04	123.24	103.18	90.73	96.53	89.30	60.90
UK's Share	3.83	3.96	1.50	1.43	0.71	0.57	0.56	0.50	0.38
Pharmaceutical Products									
World	64.32	138.58	289.95	924.96	1685.53	1747.66	1553.62	1628.07	1641.16
UK Value	2.70	6.48	14.70	36.67	48.91	48.70	50.57	36.92	57.86
UK's Share	4.19	4.67	5.06	3.96	2.90	2.78	3.25	2.26	3.52
Fertilizers									
World	685.74	1097.42	961.62	12011.25	9220.87	7413.23	5351.95	6386.62	7072.89
UK Value	39.73	-	4.57	1.18	1.05	0.79	1.10	1.30	1.39
UK's Share	5.79	NA	0.47	0.009	0.011	0.010	0.020	0.020	0.019
Chemical Products & substance									
World	342.64	477.0	900.33	2352.16	3745.36	3792.69	3827.16	4177.55	4160.39
UK Value	37.65	27.04	35.95	63.60	100.01	83.08	101.11	103.05	76.31
UK's Share	10.98	5.66	3.99	2.70	2.67	2.19	2.64	2.46	1.83
Plastic & articles thereof									
World	834.68	790.02	1667.36	4481.50	8446.30	9611.10	10104.20	11690.80	11412.0
UK Value	31.45	28.49	50.66	72.05	101.50	116.50	102.01	125.45	136.22
UK's Share	3.76	3.60	3.03	1.60	1.20	1.21	1.00	1.07	1.19
Paper & Paper board									
World	498.0	438.78	709.56	1736.32	2485.11	2280.0	2394.19	2586.04	2475.71
UK Value	65.17	26.09	25.94	100.23	50.66	63.54	51.60	42.46	35.39
UK's Share	13.08	5.94	3.65	5.77	2.03	2.78	2.15	1.64	1.42
Precious & semi precious stones									
World	3968.92	10241.73	20784.38	43926.26	91074.99	83896.46	58464.77	62379.93	56536.97
UK Value	645.47	1647.99	1904.62	2156.67	2612.94	1965.45	2554.05	1151.51	1504.97
UK's Share	16.26	16.09	9.16	4.90	2.86	2.34	4.36	1.84	2.66
Iron & Steel									
World	1502.30	1107.71	3355.65	10265.48	13646.04	13615.53	9109.60	12342.03	11251.89
UK Value	149.43	86.12	217.27	484.19	687.39	761.58	421.45	482.54	398.02
UK's Share	9.94	7.77	6.47	4.71	5.03	5.59	4.62	3.90	3.53
Nuclear reactor, Machinery & Mechanical appliances									
World	4261.98	3878.33	9651.80	26640.81	37552.43	35235.55	30699.20	31730.70	32872.72
UK Value	314.65	219	391.97	848.33	853.51	807.34	639.57	699.33	723.89
UK's Share	7.38	5.64	4.06	3.18	2.27	2.29	2.08	2.20	2.20
Professional & Scientific Equipments									
World	567.65	934.22	2014.97	4858.07	6642.79	6832.17	6722.58	7049.62	7267.29
UK Value	50.88	63.69	103.14	190.64	253.45	271.84	256.40	269.18	266.06
UK's Share	8.96	6.81	5.11	3.92	3.81	3.97	3.81	3.81	3.66

Source: Export Import Data Bank, Department of Commerce, Government of India, 1996-97* to 2015-16.

*Due to unavailability of import data (for the year 1994-95) the above analysis done from 1996-97 to 2015-16.

Commodity-wise Analysis of imports from UK

Inorganic chemicals: It is evident from the table that the value of inorganic chemicals in India's global import is increasing continuously from US\$ 916.02 million in

1996-97 to US\$ 5794.89 million in 2011-12 which declined to US\$ 4796.57 million in 2013-14 but increased to US\$ 5068.24 in 2015-16. For the same years India's import of inorganic chemicals from UK also increased in value

terms but the percentage share of UK found to hovering around 1 percent of India's total imports from rest of the world.

Organic chemicals: The share of UK in India's total imports of organic chemical from world increased from 3.83 per cent in 1996-97 to 3.96 per cent in 1999-00 which declined to 1.50 per cent in 2004-05. UK's share in India's imports of organic chemicals declined drastically during 2008-09 to 2015-16 as this accounted for only 0.38 per cent in the year 2015-16.

Pharmaceuticals: In case of pharmaceuticals UK's share increased from 4.19 per cent in 1996-97 to 4.67 per cent in 1999-00 and 5.06 per cent in 2004-05. In 2008-09 UK's share in India's total imports was 3.96 per cent which declined to 2.90, 2.78, 2.26 per cent in 2011-12, 2012-13 and 2014-15 respectively.

Fertilizers: UK's share in India's imports of fertilizers was 5.79 per cent in 1996-97 which fell drastically to only 0.47 per cent in 2004-05. During 2008-09 to 2015-16 UK's share remained negligible in India's total imports of fertilizers from world.

Chemical Products & substance: UK's share in India's imports of chemical and other miscellaneous products was 10.98 per cent in 1996-97 which fell drastically to 5.66 per cent in 1999-00 and further to 3.99 per cent in 2004-05. During 2008-09 to 2015-16 UK's share remained stagnant around 2 per cent in India's total imports of chemical products from world.

Plastic & Articles of Plastic: The share of UK in India's imports of Plastic and articles made of plastic was 3.76 per cent in 1996-97 which fell 3.60 per cent in 1999-00 and further to 3.03 per cent in 2004-05. During 2008-09 to 2015-16 UK's share remained stagnant around 1 per cent in India's total imports of plastic & products of plastic from rest of the world.

Paper & Paper board: UK's share in India's imports of paper & paper board was 13.08 per cent in 1996-97 which fell drastically to 5.94 per cent in 1999-00 and further to 3.65 per cent in 2004-05. However the share of UK improved slightly by 5.77 per cent in 2008-09 but further kept on declining during 2011-12 to 2015-16. UK's share remained stagnant around 2 per cent in India's total imports of chemical products from world.

Precious & Semi precious Stones: UK's share in India's Import of precious & semi precious stones including natural & cultured pearls, stones and made up articles from rest of the world accounted for 16.26 per cent in 1996-97 and 16.09 per cent in 1999-00 which fell to 9.16 per cent 2004-05. UK being a leading exporter of precious & semi precious stones to India lost its major

share in India's total imports as the share of UK found to be declining during 2008-09 to 2015-16 (2.66 per cent).

Iron & Steel: The share of UK in India's global import of Iron & steel stood at 9.94 per cent in 1996-97 which declined to 7.77 per cent in 1999-00 and to 6.47 per cent in 2004-05. Similar trend was evident throughout the period under study.

Nuclear Reactor, machinery & mechanical appliances: UK's share in India's Import of nuclear reactor, boiler, machinery & mechanical appliances accounted for 7.8 per cent in 1996-97 and 5.64 per cent in 1999-00 which fell to 4.06 per cent 2004-05. The share of UK remained sluggish around 2 per cent of India's total imports of machinery & mechanical appliances.

Electrical machinery & equipments: The share of UK in India's global import of electrical machinery & equipments stood at 7.25 per cent in 1996-97 which declined to 4.80 per cent in 1999-00 and further to 2.45 per cent in 2004-05. UK's share in India's total imports of electrical equipments fell drastically during the 2008-09 to 2015-16 (0.94 per cent).

Professional & scientific equipments: The share of UK in India's imports of Professional & scientific equipments was 8.96 per cent in 1996-97 which fell 6.81 per cent in 1999-00 and further to 5.11 per cent in 2004-05. During 2008-09 to 2015-16 UK's share remained stagnant around 4 per cent in India's total imports of plastic & products of plastic from rest of the world.

The detailed analysis of composition of exports to UK from India reveals that India's exports to UK are dominated by primary goods however the share of UK in India's exports of agro based goods like tea, coffee, rice, spices etc. found to be declining. The reason attributed to this decline in India's increasing bilateral trade relations with developing countries of Asia, OPEC and BRICS countries with high demand of agricultural & allied goods. In recent years China & UAE have emerged as leading trade partners of India. Another reason for declining share of UK in India's export is the diversification of India's export basket. This mainly comprised of manufactured goods and POL products. UK's share in India's manufactured goods including leather goods & readymade garment found to be satisfactory during 1994-95 to 2015-16.

Being a developing country, India's total imports from UK are understandably dominated by engineering goods and machinery & equipments including nuclear reactor, boiler and other mechanical goods, however India's importance to UK as a source of imports decreased over time not only in absolute terms

but also in relative terms. The share of principal commodities imported from UK to India was quite insignificant during 1996-97 to 2015-16.

5. CONCLUSION & POLICY RECOMMENDATIONS

India's remarkable economic performance in recent years has significant impact on India's trade relations with rest of the world. Indo-UK trade relation has profoundly been strong which is based on a foundation of mutual understanding and trust. However both India and UK have exhibited unusual trade profiles compared to their overall trade relations with rest of the world. Despite significant growth in the value of bilateral trade flows between India and UK, the trade relationship remains underdeveloped. The trade flows between India and UK are at low level as compared to the global trade potentials as revealed through the trade profiles of both the countries. The value of total bilateral trade between India and UK increased many folds during 1994-95 to 2015-16. The CAGR of exports over the period stood at 8.19 per cent while that of import stood at 5.88 per cent. However, the percentage share of UK in India's total trade continued to be declining. The reason ascribed to this decline is India's growing economic engagements with other emerging developing economies of the world. The composition of principal exports to UK has also changed considerably between 1994-95 and 2015-16. Similar compositional change also observed in case of imports from India. India's trade relations have historically been with UK, European countries and USA. This has changed and continues to change with growing economic engagements with Asian, OPEC and African countries.

A number of reports identified that there exists immense opportunity for India to increase its bilateral trade ties with UK. As Jim O'Neill, has observed that Indian economy continues to rise as a world power and there are many areas where UK can benefit from its relationship with India and on the flip side UK has much to offer to India particularly in the areas of education, research, civil society and creative sector. So it is imperative & needs urgent attention on the part of governments of both the countries to revive this bilateral relationship. Considering the economic benefits and prospects in this regard, various measures are suggested.

- The status of India's current relationship with UK and its future potential for mutually beneficial growth would require greater political, economic and diplomatic ties with UK.

In this regard intensive cooperation on the part of governments of these two countries is needed.

- European Union's external trade is subjected to a number of tariff and non tariff barriers to trade. Being a member of European Union, UK didn't help India with market access, lowering of import duties or removal of equity restrictions, which created serious implications on Indo-UK trade relations. But in forthcoming years, it is expected that BREXIT-the departure of UK from European Union, will offer immense opportunity for India to increase its trade and investment engagements with the UK. (Brexit is the forthcoming withdrawal of UK from EU following the June 23, 2016 referendum on EU membership). It also is expected that after Brexit, India will be able to progress much faster in negotiating FTAs with the UK for lowering tariffs and other trade related issues that impede trade relations between India and UK. Therefore it seems vital for both the countries to agree upon finalizing FTA for lowering tariffs and duties on goods.
- India's manufactured exports to UK are subjected to certain quality conformance standards which proved to be a big obstacle in the way of smooth conduct of trade with UK. In this regard India should ensure exports of only that merchandise which conform to those standards and certifications as are acceptable to UK.
- The trading communities of both the countries should make coherent efforts to seek opportunities for increased collaboration in potential sectors for mutual benefits of each other.
- There should be regular trade promotional activities in the UK in every year to create awareness among the foreign counterparts and to promote the latest Indian products in UK's markets. Indian industries should also participate in the trade fairs & exhibition organized by U.K.

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