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India and the UK- Current Status of International Trade and Study of Potential Growth Opportunities

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Abstract: **India's significant growth in International Trade, post the economic liberalization of 1991, has been a major force behind its rapid economic growth. But, the recent economic crises in the USA and in EU have demonstrated the importance of diversified export portfolio both in terms of products and market for such products. Today, India has a very high export concentration in Asia & USA-5 Asian Countries along with USA contribute to 40% of India's total export whereas Europe's two largest economies Germany and UK contribute only 5% together. On the other hand, UK has a chronic trade deficit problem and much like India most of its exports are concentrated and UK needs to look towards emerging economies in Asia such as China and India, which together at present contribute a miserly 4% of UK's total export. India's share is only 1% of UK's total export and in India's export, UK's share has decreased over the years and now it contributes only 3%. In this context, considering the size of these two economies, their historical relationship, importance in the World economy and trade, their macro-economic scenarios and international trade perspectives have been analyzed to explore future potential and opportunities. Product level Revealed comparative advantage (RCA) and Trade Intensity Index (TII) have been observed and analyzed for the top commodities traded between India and the UK. It is found that some product categories such as Inorganic Materials & Precious Metal, Ships, Boats, residues of food industry, animal fodder, and Meat etc. are of high potential in terms of improving future trade opportunities and enhancing trade volume. In this context, the impact of trade barriers has also been discussed. In essence, this paper endeavors to explore and identify avenues of trade growth in the present scenario and the way forward.**

1. INTRODUCTION

Post economic liberalization of 1991, India has witnessed the opening up of the market and greater participation in International Trade in the past two decades. In 1981, India's share of total world export was only 0.4% and share of world import was 0.7%.Not much progress was observed till 1991 when export and import share were 0.52% and 0.6% respectively. In this decade India's export and import grew at a CAGR of 7% and 5% respectively. But post liberalization India's trade grew at a rapid pace. In 2010, India's shares of total World export and import were 1.53% and 2.2% respectively and in the last decade (2001-2010) India's export and import both grew at a CAGR of 18%. In 2013, India's global share of exports and imports were 1.6% and 2.7% respectively.

During the period 2012-13(April-January) Asia accounted for 50.78% and 60.08% of India's total export and import respectively implying a high level of export concentration in Asia. Export concentration reflects the degree to which a country's exports are concentrated on a small number of products or a small number of trading partners. In 2009, the top 25 countries with the highest export concentration ratios were all developing countries. In 2008, the region with the highest degree of export concentration was Africa (0.48), followed by the CIS countries (0.34) and the Pacific Island States (0.22). For countries in Latin America and the Caribbean, the ECR stood at 0.14 and the lowest degree of export concentration was in Asia (0.13). As the 2007–08 financial meltdowns struck the developing countries, export earnings fell significantly across all regions. For the developing world as a whole, export revenues fell by 23 %, but the biggest losses were registered in the CIS region because of high export concentration ratio. Therefore, trade diversification is the need of the hour for India to provide a substantial protection against ever growing uncertainty in the world economy [1].

With India's high export concentration in Asia and USA, India needs to consider alternate strategic regions such as Europe to diversify its trade portfolio. UK is India's top trading partner among the European countries and it stands at 7th position in terms of India's major export destinations. Also, UK is the largest European investor in India and 4th largest internationally. But over a period of time UK's share of India's export has dwindled. India's share of export in Goods to UK has declined from 4.4% of overall exports in 2006 to 3.13% in 2013 with a recent YOY decline of 3.9% in 2012. Also, today, UK is not among the top 20 partners in terms of imports to India. In view of the current scenario, it is imperative that India and the UK find newer avenues to enhance their bilateral trade.

There have some studies reported in the past [2] on India-UK trade but they did not cover the analysis at the product levels in the overall macroeconomic context of India and the UK. This paper studies the overall economic and trade dynamics in the context of the World scenario and delves into thorough analysis of the bilateral trade between the two countries in terms of Revealed Comparative Advantage (RCA) and Trade Intensity Index (TII) of goods traded. Subsequently, on the basis of the findings, it endeavors to suggest various future growth opportunities and measures to provide traction to one of most important trade relationships in the world to attain its full potential.

2. Overview of World Economy and Trade

The world nominal GDP in 2013 was ~US$ 74 trillion. Share of GDP in 2013 by top 10 economies is presented in **Figure 1**. In terms of GDP, the UK and India ranks 6th and 10th respectively.

The world trade (export) value was ~ US$ 18.1 trillion [3] in 2012 and as a percentage it was ~ 25.1% of the GDP. In 2013, total world trade declined to ~ US$ 17.99 trillion and as a percentage of total GDP, it was ~24.01%. Most widely traded commodities and their share in 2013 in the trade are shown in **Figure 2**.

Among the top importing nations in the world, it is observed that with USD 655.7 billion UK ranks 7th and with USD 466 billion India ranks 12th in terms of import. Among the exporting nations in the World, UK ranks 8th with export value of USD 549 billion and India ranks 16th with USD 336.6 billion.

Observing the trend in World GDP and trade, it has been found that there is a huge dip in both GDP and Trade in the year of great financial meltdown - 2009. It is also observed that global export as percentage of World GDP has declined in consecutive two years indicating a slow-down in global trade. The total dollar value of world merchandise exports rose by 19.6 % to US$ 18 trillion in 2011.

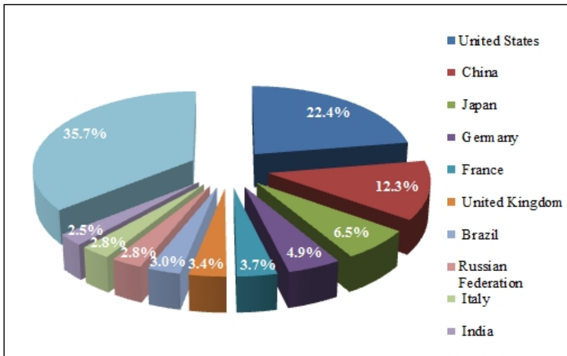

Figure 1. GDP share of top 10 economies

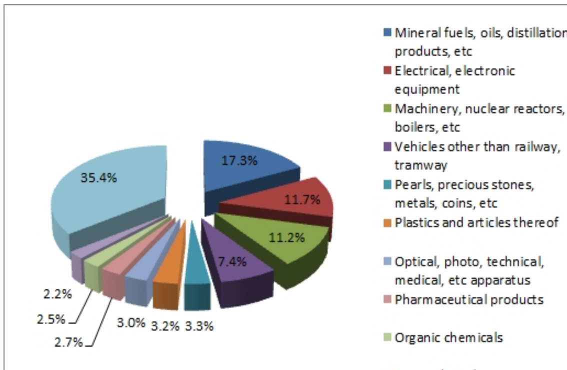

Figure 2. Top 10 most traded commodities

But in 2012 the growth in world merchandise export in terms of value slowed down and it recorded a growth of meager 0.5% against a weaker World GDP growth of 3.2%. Though, GDP growth has been 4.14% in 2013, but total value of merchandise export has actually declined. **Table 1** below shows GDP, trade value and its share of GDP from 2008 to 2013.

Table 1.World GDP & Trade

Year	World Nominal GDP (trillion dollars, current prices)	Trade (Export) in trillion dollars	Trade (Export) as % of GDP
2008	61.16	15.97	26.1%
2009	57.76	12.32	21.3%
2010	63.07	15.04	23.8%
2011	69.66	18	25.8%
2012	71.91	18.10	25.17%
2013	74.89	17.99	24.02%

During the recession period from 2008 to 2009, the world trade declined by 22.8% in terms of value. Though, it recorded a growth 19.6% in 2011 on account of high commodity prices [4], the fundamental economic and trade issues have not been resolved so far, as trade growth has slowed down ever since due to weaker import demand in developed economies, and recurring bouts of uncertainty regarding the Eurozone debt crisis accompanied by financial and political uncertainty, natural disasters and civil conflicts such as earthquake in Japan, flood in Thailand and civil war in Libya, Syria, Iraq etc. Also, during this period a decelerating growth has been observed in emerging economies such as India and China. Following section discusses the current economic and trade scenarios in two economies – India and the UK chosen as instances of an emerging and a developed Euro-zone economy respectively.

3. INDIA-ECONOMIC & TRADE SCENARIO

India is considered the growth engine of world economy along with China. Also, India is the 3rd largest economy in Asia followed by China and Japan and its story has been of incredible growth and success since the economic liberalization of early 90s and especially in the first decade of the current millennium. Even during the slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6% and 9.3% in 2009-10 and 2010-11 respectively. Though, as a consequence the economy started showing inflationary tendencies forcing the Reserve Bank of India to keep its policy rates high. It has adversely impacted the investment climate, exacerbated by widening current account deficit, gloomy economic scenario in Europe and other export markets and lack of reform initiatives for a long time. As a result, in the subsequent 3 years following 2010-11 viz. 2011-12, 2012-13,and 2013-14 India clocked a slower growth rate of 6.2%,4.7% and 4.9% respectively and India found itself having to deal with the stagflation.

India's Balance of payment position has improved dramatically in 2013-14 after having two consecutive years of perilously high current account deficit. The major reason behind such improvement is the measures taken by RBI and the government such as raising duty on Gold import and overall macro-economic slowdown.

The slowing down of growth is primarily attributable to the weakness in the industry sector. Industry sector consists of mining and quarrying, manufacturing, electricity, gas and water supply, and construction. Industry sector, as per the revised estimate released by CSO, clocked a growth rate of 1% in 2012-13 in comparison to 7.6% and 7.8% in 2010-11 and 2011-12 respectively. In 2013-14, as per the provisional estimate, growth rate is expected to decline further at 0.4%. Especially, the growth in the manufacturing sector remained quite muted as it grew only by 1.1% in 2012-13 and in 2013-14 expected decline in this sector is estimated to be -0.7%. Owing to lower than normal rainfall in the initial phases of 2012-13, Agriculture sector also recorded a moderate growth at 1.4% followed by 8.6% and 5% growth in the previous two years. It has also contributed in keeping the food prices and hence the inflation very high throughout the year. Though, in 2013-14, with normal monsoon agricultural growth rate is expected to be higher at 4.7% as per provisional estimate, after two consecutive years of decline in growth. Inflation has eased a little and international crude oil price has become favorable in recent times, but still the impact of a patchy monsoon this year in many parts of the country is to be observed. After achieving impressive growth for several years, the growth in the service sector has also slowed down especially in the trade, hotel and restaurants, transport and communications. As activities in this sector are in the form of derived demand, it bore the brunt of an overall slowdown in the economy in the form of muted growth in the industrial and agriculture sectors [5]. Service sector growth declined to 7% in 2012-13 and 6.8% in 2013-14 from 9.7% in 2010-11. In 2012-13, private investment slowed down as high inflation rate kept policy rates high and also because of lower demand for Indian goods in the export market, particularly in the developed economies such as Euro Zone countries. As a result of weak growth in trading partner countries, Indian exports also declined. Imports did not decline as much in percentage point terms. Inelastic oil imports were the primary reason for the relatively smaller decline of imports in 2012-13. But gold imports, which have surged in recent years on the back of higher perceived returns on gold holdings, contributed significantly to imports, even though they declined in value over the previous year [5]. The net result was a higher trade deficit. But, in 2013-14, although full-fledged recovery of world economy was not on sight, early sign of economic strengthening in USA and some parts of Europe and a weak currency helped India gain some ground on the export front. This moderate recovery coupled with reduced imports on account of Government and RBI dis-incentivizing the import of non-essential items, such as Gold and also economic slow-down has resulted in improvement in net exports by 3.1%. India's total merchandise export and import in 2013 were USD 336 billion and 466 billion respectively. Trade Deficit declined to USD 130 billion from USD 190 billion in the previous financial year. **Table 2** shows top 10 export destinations for India's goods and UK's position

Table 2.India's Top Export Destinations

Countries	2013 Exported Value in USD Billion
USA	41.95
United Arab Emirates	33.98
China	16.41
Singapore	14.18
Hong Kong, China	13.66
Saudi Arabia	12.35

UK	10.55
Netherlands	9.10
Germany	8.08
Japan	7.32

Table 3 shows top 10 countries, from where India imports and UK's position in the list.

Table 3.India's Top Import Sources

Countries	2013 Imported Value in USD Billion
China	51.63
Saudi Arabia	36.59
United Arab Emirates	32.96
	24.65
	22.60
Switzerland	20.23
USA	17.59
Indonesia	14.98
Venezuela	14.94
Qatar	14.60
UK (23rd rank)	6.43

4. UNITED KINGDOM-ECONOMIC AND TRADE SCENARIO

Presently UK's economy encompasses those of its home nations- England, Scotland, Wales and Northern Ireland. The UK is the 6th largest economy in the World in terms of GDP. Today, the UK economy faces another struggle to recover from the 2008 financial crisis. Prior to the financial crisis, the economy was experiencing GDP growth rates of around 3 percent; but after the economy contracted by 0.77% and 5.17% in 2008 and 2009 respectively, the country could only post 1.66% GDP growth rate (constant prices, national currency) in 2010 – one of the slowest recoveries among the OECD nations [6]. After years of sluggish growth, in FY'12-13, UK has finally shown signs of substantial recovery registering a GDP growth rate of 2.9.

UK Retail price index was in negative following the recession of 2008. Though following the recession economy showed some signs of recovery but it again dipped in 2011 and 2012 following the Eurozone debt crisis. RPI was 3.2% and CPI 2.8% in 2012, lowest since it recorded -0.5% and 2.2% at the height of 2008-09 recessions. This declining trend continued in 2013 as well, when RPI and CPI were 3.1% and 2.6% respectively, showing that economic activities have remained sluggish in general.

Interest rate increased in 2007 to 5.5%. It had been lowered since the start of the recession period in 2008 and has been kept at 0.5% since 2010. The UK has not still come out completely of the gloomy economic scars left behind by the great economic recession of 2008-09. Unsurprisingly, interest rate has been kept low to give a fillip to the economy trying to make a turnaround [7].

In the past few years, the UK has had a persistent current account deficit, which may be attributed to the UK's relatively poor export performance. Since the fall out of Euro-Zone debt crisis, UK's current account deficit (CAD) as percentage of GDP has been increasing [7]. It shows UK's export performance has been poor. One of the reasons behind this high CAD is UK's export concentration in financially hit Euro Zone and also the USA in the early part.

Consistent with developed economies, Service sector in UK is the most dominant sector in terms of GDP contribution. In the end of 2013 there was a widespread growth in services sector, with increases in each of the four main services aggregates (distribution, hotels & restaurants; transport, storage & communication; business services & finance; and government & other services).Strong numbers from Manufacturing and Construction along with Services contributed to initial signs of recovery in 2013.

Both in 2012 and 2013 UK export growth has remained muted. Britain's trade deficit is a problem that nothing less than a substantial expansion in exports will fix it.

UK Government said that it must "change the pace" of export growth and push more medium-sized companies into overseas markets if it is to have any hope of achieving its target of doubling exports to £ 1trillion by 2020. The UK's trade deficit has remained stubbornly high despite Prime Minister David Cameron's best efforts to promote British goods through several trade delegations to China, Russia, India and Brazil. Experts say exports would need to rise at 9% per annum to hit the £ 1 trillion target against average annual growth of just 5% since the turn of the millennium. Though, some improvement has been seen in UK export growth rate in 2013. But, still the export growth rate is lower than the levels achieved in 2010 and 2011.

The import has declined in 2013, improving UK's trade deficit by ~107 billion dollar. The trend of import growth rate has been on the declining mode, since the crises in Europe, on account of gloomy industrial activity and sluggish demand scenario.

In 2013, the rise in exports was driven by a surge in sales of UK pearls and precious stones, machinery and vehicles, while imports fell largely due to lower purchases of pearls and precious stones, Mineral fuels, oils and distillation products and organic chemicals [4]. **Table 4** shows the top ten destinations for products exported by the UK.

Table 4.UK's Top Export Destinations

Countries	2013 exported Value in USD Billion
Switzerland	71.15
USA	62.85
Germany	48.27
Netherlands	37.63
France	35.18
Ireland	28.41
Belgium	21.31
China	18.11
United Arab Emirates	15.56
Hong Kong, China	14.14
India (15th Rank)	8.00

Table 5 shows top ten countries, from which UK imports its products.

Table 5.UK's Top Import Sources

Countries	2013 imported Value in USD Billion
Germany	89.05
China	57.58
USA	54.50
Netherlands	53.52
France	40.51
Belgium	31.41
Norway	25.80
Italy	24.46
Spain	19.66
Ireland	18.69
India (17th rank)	9.66

5. India-UK: Analysis of Bilateral Trade

5.1 India Export Growth Opportunities in UK

There are some products, in which India's rank in export to UK is very high, despite its low RCA in those product categories. For example, India's RCA in Electrical, electronic equipment is 0.35, in Machinery, nuclear reactors, boilers, etc. it is 0.38, in Vehicles other than railway, tramway it is 0.72 and in Plastics and articles thereof it is 0.75.These products rank among the top 20 products in India's export to UK and in India's overall export basket as well (Please refer to table no. 6).

From the bubble chart analysis in Trade-map, it is observed that in Electrical, electronic segment India is a loser in declining sector (Highlighted in red box in the bubble chart **Figure 3** below). Also, in Plastics and articles thereof, although India's export growth has been high, but world import growth has been low and India is a net importer in this category. Bubble chart analysis shows us that in Plastics and articles thereof and in Machinery, nuclear reactors, boilers, etc., in addition to low RCAs and slower growth, UK's import growth from India is lower than India's export growth to the world. Therefore, India is worse off concentrating exports to UK in these two product categories. Although, in Electrical and Electronic equipment UK's import growth from India is higher than India's export growth to the world, India's share in UK's import is very low compared to other competitors in the world.

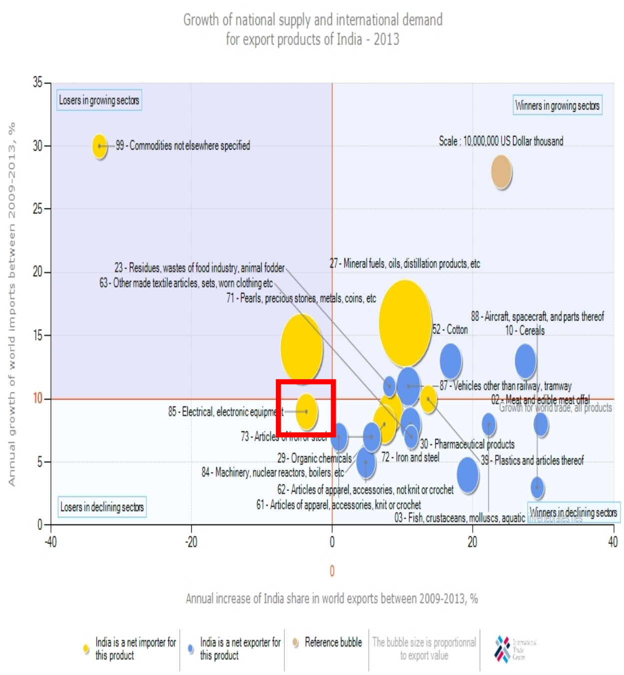

Figure 3. Growth of India's supply and International Demand

Only in Vehicles other than railway, tramway India is growing in the winning sector, although in this product group also, UK's import growth from India is lower than India's export growth to the world. **Table 6** shows the Revealed Comparative Advantage of India's top 20 exported products in 2013 and their rank in India's export basket to UK and corresponding rank in UK's import basket from the world. Following section discusses the product categories, in which India can explore growth opportunities in future in terms of export of those products to the UK.

Table 6.RCA of India's top 20 exports

HS Code	Commodity	RCA' 13	Rank in India Export to UK	Rank in Overall India export Basket	UK's import from the World rank
'85	Electrical, electronic equipment	0.38	9	9	4
'84	Machinery, nuclear reactors, boilers, etc	0.46	5	5	2
'87	Vehicles other than railway, tramway	0.72	2	3	3
'39	Plastics and articles thereof	0.75	14	14	7
'88	Aircraft, spacecraft, and parts thereof	0.95	17	18	9
'27	Mineral fuels, oils, distillation products, etc	1.57	1	1	1
'73	Articles of iron or steel	1.67	10	12	14
'30	Pharmaceutical products	1.69	8	6	6
'89	Ships, boats and other floating structures	1.73	92	20	63
'72	Iron and steel	1.82	22	10	19
'29	Organic chemicals	2.08	11	4	10
'61	Articles of apparel, accessories, knit or crochet	2.18	4	13	11
'02	Meat and edible meat offal	2.74	96	16	21
'62	Articles of apparel, accessories, not knit or crochet	3.01	3	11	12
'23	Residues, wastes of food industry, animal fodder	3.21	64	19	38
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	3.40	16	15	39
'71	Pearls, precious stones, metals, coins, etc	5.15	6	2	5
'63	Other made textile articles, sets, worn clothing etc	5.36	12	17	47
'10	Cereals	6.71	15	7	45
'52	Cotton	11.66	38	8	80

5.1.1 HS CODE 89: Ships, Boats and other floating structures

When analyzing and exploring India's export potential and opportunities in the UK, it has been found that India has a high RCA of 1.73 in Ships, Boats and other floating structures and this product category ranks 20th in India's overall export basket . UK's total import in 2013 in this product category was US$ 1.013 billion, a 62% increase from the 2012 import value. Though, the product ranks 20th in India's overall export basket and India exported US$ 3.59 billion in 2013, but India's rank in UK's import of this product category is a very low 92 and India's presence in UK's import was almost non-existent. On further analysis of TII, it has been found that Cruise ship, cargo ship, barges category with a significant export value has a high TII of 6.22.Equivalent Ad Valorem tariff applied by UK to India is also low at 0.9 in this product category. Though, from the bubble analysis at HS- 4 digit level it has been found that UK's share of world import in Cruise ship, cargo ship, barges category has remained at the same level, but it also shows that the UK is a net importer in this category along with Light vessel, dredger etc. category (HS code 8905).India was the 6th largest exporter in 2012 in this product category [8]. As this product category has been one of the fastest growing and emerging commodity groups, India should strive to realize its full potential in terms of its export of these products to the UK.

5.1.2 HS CODE 23: Residues, wastes of food industry, animal fodder

India can also explore the products under the group Residues, Wastes of food industry and animal fodder for improving its export potential to the UK. India's RCA in 2013 in this product group has improved drastically from 2.54 in 2012 to 3.21. It ranks 19th in India's overall export basket but in terms of UK's import from the world India has a lowly rank of 64 whereas in UK's overall import basket the product group is ranked at 38. India's total export in 2013 was US$ 3.69 billion, 40% increase from the export value of 2012. UK's import from the World was US$ 3.24 billion, an 18% increase from the previous year. But, India's export to UK was only US$ 6.12 million in 2013, leaving a huge potential that could be tapped. In this product group, India has a high TII in Animal feed preparations and soya bean oil-cake and other solid residues. From the bubble chart analysis it has been found that these two products are the largest contributors to UK's import pie in this category. India is one of the major producers of Soya bean along with China, USA, Brazil and Argentina. Along with these two products, it has been also found that UK's import of other vegetable materials, residues, by products used for animal has increased at a faster rate than the world export growth in the same product category. Therefore, India should also explore export opportunity to UK in this product sub-category as well. In terms of Tariff also, it is found that India faces a favorable tariff rate of 11.7% compared to 12% tariff faced by Brazil, USA, and China and 11.8% faced by Indonesia. We also see that India's export growth to UK in this product category has been higher than UK's import growth from the world, creating a favorable climate for export growth.

5.1.3 HS CODE 02: Meat and Edible Meat

Another important product group to consider in India's export opportunity to the UK is Meat and Edible Meat. While it ranks 16th in India's overall export basket and 21st in UK's overall import basket, but India has not exported anything to UK in 2013. UK's import was USD 6.07 billion in 2013 and India's export in this product category was USD 4.77 Billion with a growth rate of 51% from the previous year and India ranks 8th in the world in terms of its export share. Also, India's RCA in this product category has grown from 0.93 in 2009 to 2.74 in 2013 showing the importance of this emerging product category in India's export. Also, India is the 2nd largest exporter of beef, a category that includes both cow and buffalo meat, as the domestic consumption is very limited due to religious reasons and traditions. It can be seen from the bubble graph analysis that India is a net exporter of the meat of bovine animals both frozen and fresh or chilled and edible offal of red meat and India has increased its world market share in the last 5 years. Also, among these products UK's import in Meat of Bovine animals fresh or chilled has increased at a faster rate than the world export growth rate. Therefore, India should endeavor to exploit this favorable trade climate to grow its export to UK in this product category. Though, one of the barriers to trade is the high tariff of 44.7% faced by India in this category.

5.2 UK Export Growth Opportunities in India

There are some products, in which UK's rank in export to India is very high, despite its low RCA. For example, In Plastics and Articles thereof UK's RCA is low at 0.68 and its rank in India's import is 10 and also its rank in UK's overall export basket is 10.In case of Electrical and electronic products it has been observed that UK has a very low RCA of 0.48, but its rank in import to India is 4 and its overall UK export basket is 6. Also, from the bubble graph analysis, it has been found that UK has been the loser in the declining sectors in these two product categories.

It has been observed from the same analysis that the attractiveness in UK's export of these products has declined over the years. India's import growth from the world in these products has been higher than the UK's export growth to India. **Table 7** shows the Revealed Comparative Advantage of UK's top 20 exported products in 2013 and their rank in UK's export basket to India and corresponding rank in India's import basket from the world.

Table 7. RCA of UK's top 20 exports

HS Code	Products	RCA 2013	Rank in UK Export to India	Rank in Overall UK Export Basket	India's Import from the World Rank
'85	Electrical, electronic	0.48	4	6	4
'99	Commodities not elsewhere specified	0.53	69	17	6
'27	Mineral fuels, oils, distillation products, etc	0.66	21	3	1
'39	Plastics and articles	0.68	10	10	8
'73	Articles of iron or steel	0.70	11	15	17
'72	Iron and steel	0.85	3	12	7
'29	Organic chemicals	0.93	14	9	5
'28	Inorganic chemicals, precious metal	1.09	22	20	14
'90	Optical, photo, technical, medical, etc	1.11	5	7	12
'84	Machinery, nuclear reactors, boilers, etc	1.15	2	2	3
'87	Vehicles other than railway, tramway	1.25	7	4	15
'38	Miscellaneous chemical	1.33	15	13	16
'33	Essential oils, perfumes, cosmetics, toileteries	1.85	27	16	41
'88	Aircraft, spacecraft, and parts thereof	1.91	6	8	22
'30	Pharmaceutical	2.16	12	5	27
'49	Printed books, newspapers, pictures	3.15	18	18	42
'22	Beverages, spirits and	3.24	9	11	51
'71	Pearls, precious stones, metals, coins, etc	5.45	1	1	2
'97	Works of art, collectors pieces and antiques	9.31	30	14	77

5.2.1 HS CODE 28: Inorganic Chemicals, Precious Metals

In terms of UK's export opportunity to India, it has been found that Inorganic materials and precious metal compounds have relatively high RCA of 1.09 but UK ranks 22nd in terms of India's import of these products, whereas its rank in India's overall import basket is 14. Therefore, there is a good potential to increase UK's export to India in these product group given the fact India's import growth from UK has been higher in this product group than its import growth from the world, as found from the bubble-chart analysis. Also, in terms of share in India's import UK is ranked among the top 20 countries. Analyzing further at the 4-digit level, it can be seen that that Colloidal precious metals and compounds and amalgams of precious metals have the highest TII value of 33. Also, other products with significant import of India from the world and high TII value such as Hydrogen, rare gases & other non-metals and Hydrazine & hydroxylamine & their inorganic salts; other inorganic bas could also be explored for export to India in future. Also in these product sub-categories, India is a net importer and India's import growth has been higher than the world export growth in Hydrogen, rare gases & other non-metals and Hydrazine & hydroxylamine & their inorganic salts; other inorganic bas, as derived from the bubble chart analysis. Therefore, the UK should pro-actively explore trade growth opportunities in these product sub-categories.

Apart from the above two categories, UK can explore another two product categories- Printed books, newspapers, pictures etc. and Beverages, spirits and vinegar- in terms of export to India. In both these categories, UK has high RCAs- 3.15 and 3.24 respectively and features in top 20 products in terms of rank in UK export to India and rank in overall export basket of UK. But India's domestic market is still evolving in these two product categories and Printed books, newspapers, pictures etc. ranks 42nd Beverages, spirits and vinegar ranks 51st among the products India import from the world. Even with Tariff imposed on the UK is higher compared to other countries at 121% and 8% respectively for Beverages and printed books respectively, United Kingdom has 45% share of India's import market of Beverages, spirits and vinegar and ranks 1st among India's partner countries and in Printed books, newspapers, pictures etc. United Kingdom has 13% share of India's import market and ranks 2nd among India's partner countries after USA. Import of both these product groups has increased in India at a higher rate than the World export growth and bound to grow even more given the favorable demography and life-style changes in India.

6. Conclusion

Centre for Economics and Business Research (CEBR) predicts that the UK will move up one place to overtake France as the world's fifth-largest economy by 2018, and surpass Germany by 2030.

Positive demographics with continuing immigration, rather less exposure to the problems of the Eurozone combined with relatively lower taxes will encourage faster growth than in most western economies.

In this context, India-UK trade relations should become more open with gradual reduction of trade barriers with respect to commodities with high potential in the growth of trade. Also, growth opportunities need to be tapped in emerging commodities such as Inorganic Materials & Precious Metal, Ships, Boats, residues of food industry, animal fodder, and Meat etc. as discussed in this paper. In some of the products, it has been observed high tariff barriers might be acting as potential impediments for the growth.

More economic and trade openness and a journey towards free trade agreement can create enormous wealth for both the nations. With India poised to take a second leap in the growth band-wagon, it could be UK's reliable strategic partner in creating opportunities for millions in their respective nations through realizing the enormous potential in bilateral trade.

7. References

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