

ROAD TO A UK-INDIA FREE TRADE AGREEMENT: ENHANCING THE PARTNERSHIP AND ACHIEVING SELF-RELIANCE

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INTRODUCTION

On 4th May 2021, Prime Ministers Boris Johnson and Narendra Modi launched a “transformational” UK-India Comprehensive Strategic Partnership, which included a target to double trade by 2030 through an Enhanced Trade Partnership and an intention to negotiate a Free Trade Agreement. This ushers a new and exciting era for the bilateral relationship, and preparations for FTA negotiations are already underway.

At the same time, India is implementing one of its big-ticket reforms in recent years, Atmanirbhar Bharat Abhiyan, or the “Self-Reliant India Campaign”, a step taken by the Government of India to take a quantum leap towards becoming the third largest economy in the world by 2030.

Atmanirbhar Bharat was first announced by PM Modi on 12th May 2020, alongside a GBP 215.4 billion (INR 20 Lakhs Crore) COVID relief package, in response to the sudden economic and social shock induced by the COVID-19 pandemic.

The package offered a range of financial support measures for the weaker sections of India’s society, for micro, small and medium sized enterprises (MSMEs), and for the agriculture sector, creating fair market platforms, easing rules for businesses, introducing public-private partnership (PPP) models across sectors, the privatisation of the power sector, and a range of other solutions to support the economy.

India’s all-important Micro, Small and Medium Enterprises (MSMEs) suffered most during the lockdown. At the same time, companies across the world have been working actively on realigning their supply chains. PM Modi recognised this as part of the solution for India, and as a way of supporting the global recovery.

After contextualising the campaign and the Government of India’s objectives, this report outlines the views of UK businesses towards the policy and its potential impacts. The report concludes with a set of recommendations that we believe would support the campaign’s success and support the objectives of the Enhanced Trade Partnership and FTA.

RECOMMENDATIONS (SUMMARY)

The UK India Business Council has five recommendations that we believe can help to maximise India's opportunities with the international business community and achieve self-reliance:

RECOMMENDATION 1: BUILD A STRATEGY FOR THE FUTURE, TAKING A LONG-TERM VIEW

To succeed, it is vital that the Government of India and State Governments adopt policies and approaches designed to win in the future, not just in the present trade and global manufacturing supply chain scenarios. A long-term approach that considers regional supply chains and location decision-making is needed to succeed.

RECOMMENDATION 2: INDIA SHOULD BECOME INCREASINGLY OPEN TO FREE AND FAIR TRADE

India should attract investors due to its strengths rather than by using tariffs as a tool to push international businesses to invest and make in India. Unexpected and sharp rises in tariffs can be counterproductive.

RECOMMENDATION 3: FOCUS ON DEVELOPING AND SUPPORTING INNOVATORS

As well as making its labour market more flexible, India should focus on developing a workforce that has the skills of the future. That means a focus on STEM, digital, creative and critical thinking skills that will build leaders and workers who can innovate and solve problems.

India should develop an innovator-friendly intellectual property policy and enforcement regime. With future investments likely to be tech-rich and, indeed, digitally driven, India can gain a competitive advantage through its IP regime. If UK firms know that their IP is secure in India, they will not hesitate to transfer technology and manufacture in India.

RECOMMENDATION 4: DIGITAL AND DATA

With digital and data services increasingly important in global trade, including in services-rich economies like India and the UK, there is an opportunity for India to fully integrate with other major democratic markets. India should continue to harness and actively invest in the opportunities that AI, digital technology and data present to achieve its growth potential.

RECOMMENDATION 5: PUT SUSTAINABILITY AT THE HEART OF INDIA'S TRADE AND INVESTMENT STRATEGY

Whether it is through UN forums - the Sustainable Development Goals and COP26 - or discussions at the WTO, G7, or G20, sustainability issues are increasingly a feature of trade discussions. If shaped properly, trading arrangements can help support the poor and protect the environment. Countries and trade blocs are cognisant of this fact and as such are increasingly integrating sustainability and human rights into their trade agreements and strategies.

We strongly believe that should these reforms be materialised, India stands ready to continue its rise as a global leader and develop to the benefit of the Indian population. It has been positive to hear Government officials reaffirm India's commitment to global integration. To further support that narrative, taking action through policy will be key to meeting investor's asks.

Read our recommendations in full on pages 24-26.

THE OUTLOOK ON ATMANIRBHAR BHARAT

India's Atmanirbhar Bharat mission should be viewed as an extension of PM Modi's "Make in India" campaign, launched in 2014, as they share the aim of securing manufacturing investments from domestic and international business. More widely, this self-reliant movement seeks to make India a global supply chain hub by boosting exports and reducing the country's dependence on imports, thereby improving India's trade deficit. In a nutshell, the Atmanirbhar Bharat campaign is about making India resilient to future supply chain disruptions and reducing its dependence, particularly at times of crisis, on other countries.

However, concern has been expressed by domestic and international businesspeople, politicians, and economists that being "self-reliant" could be regarded as protectionist and isolationist. It was also pointed out that some of the reforms are in continuation to earlier measures, which would have taken place even without the COVID-19 pandemic. For instance, in early 2019 the Government had already awarded the lease of six domestic airports to Adani Group, an Indian multinational conglomerate¹. The campaign further unveiled plans to privatise 12 other airports. Furthermore, the privatisation of electricity distribution companies, while announced in 2020, was mooted for years at state level.

These positive measures are, of course, on top of the significant progress India has made in improving the ease of doing business in recent years, as demonstrated by its rise in the World Bank's ease of doing business rankings from 142nd in 2014 to 63rd in the most recent rankings of 2019.

The Government of India has repeatedly stressed that the campaign is about global integration, not isolation. Whilst delivering the inaugural address at the 125th Annual Session of Confederation of Indian Industries (CII) in June 2020, Prime Minister Modi outlined:

"Atmanirbhar Bharat means we will become even stronger and embrace the world. It means full integration with the world economy and be supportive of it. It is about creating strong enterprises in India that can become global forces, and it is about generating employment. We have to invest in the establishment of such a robust local supply chain that strengthens our participation in the global supply chain. The need was to make such 'Made in India' products that are 'Made for the World'". *PM Modi*

To support the case that being self-reliant is not protectionist, the campaign does not formally impose limits on trade or impose restrictions on FDI. Moreover, many reforms in the campaign allow a wider involvement of private and foreign entities in the Indian economy.

It is important that such openness is maintained between the UK and India as both Governments develop the UK-India 'Enhanced Trade Partnership' (ETP), with the aim to double trade between the UK and India by 2030, as announced by Prime Ministers Modi and Johnson on 4th May, 2021. The Prime Ministers also stated their intention to negotiate a Free Trade Agreement (FTA).

¹ <https://www.adanienterprises.com/businesses/airports>

It is important to note that most UK businesses have a positive view of the self-reliant India campaign. According to the findings of the UK India Business Council's 6th Annual Survey on Doing Business in India, 77% of UK companies surveyed believe that the Atmanirbhar Bharat campaign is an "opportunity" rather than a challenge (see figure 1)².

The positive results are based on the fact that UK companies are already deeply integrated in the Indian economy and support India's self-reliant mission. India has been an important manufacturing base for UK companies for decades. Rolls Royce, BAE Systems, GSK and JCB are just a few examples of UK businesses that have long been making in India. Perkins Engines is a more recent example.³

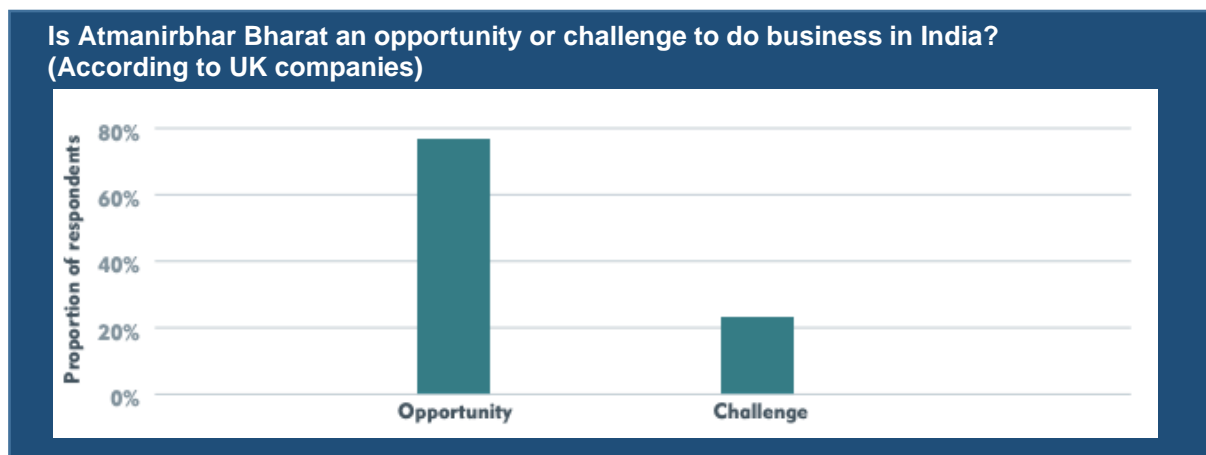


Figure 1 - UK companies' perspective on Atmanirbhar Bharat

So, the clear message from PM Modi's speech quoted above is that India wants to be self-reliant, and it wants to be selling into global supply chains rather than buying from them. However, some of the reforms could have negative consequences for UK and all multi-national companies. This report looks at those new challenges and how they can be mitigated so that the self-reliant India campaign can fully succeed.

² <https://www.ukibc.com/wp-content/uploads/2020/10/UKIBC-Doing-Business-in-India-Report-2020.pdf>

³ <https://www.ukibc.com/5-steps-india-can-take-to-attract-investment-in-manufacturing/>

POLICY FOCUS

The self-reliant campaign is based on five pillars:

Economy	Infrastructure	Systems	Demography	Demand
An economy that will take quantum jumps rather than incremental jumps.	A robust world-class infrastructure which will be the identity of modern India.	A technology-based system that will fulfil the 21st century dreams.	India's vibrant demography has the potential to play a major role in making India self-reliant.	Full utilisation of demand and supply system for robust functioning of the economy and a self-reliant India.

Figure 2

The Central and State Governments are expected to work hand-in-hand for the successful implementation of Atmanirbhar Bharat Abhiyan as the policy directly or indirectly impacts almost all major sectors of the country involving several ministries, departments, and Government bodies^{4,5,6}.

With these pillars, Mr Modi talked about reforms focussing on the “Four Ls”: land, labour, liquidity and the law.

LAND

Acquisition of land has been a major obstacle for enterprises looking to invest in India. The Central and State Governments are working on the development of industrial land and land banks to promote new investments.

They are making information available on Industrial Information System (IIS) with Geographic Information System (GIS) mapping. Approximately 3,376 industrial

parks/special economic zones (SEZs) in around 500,000 hectares are mapped on IIS⁷, which includes existing industrial land in states such as Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh. This plan, if channelised efficiently, could relieve investors from long-standing disputes over land acquisition.

It is important, however, that land is in the right place for investors, namely close to ports and skilled labour, and with excellent transport infrastructure.

⁴ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1632309>

⁵ <https://www.drishtiias.com/daily-updates/daily-news-analysis/pm-formalization-of-micro-food-processing-enterprises-scheme>

⁶ https://www.business-standard.com/article/economy-policy/andhra-punjab-and-rajasthan-first-to-apply-for-discoms-loans-from-pfc-rec-120062501869_1.html

⁷ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1624536>

LABOUR

In a historic move to consolidate the country's labour legislation and compliance norms, India's parliament approved three new labour codes in September 2020, assimilating 44 Union labour laws into four codes and 1,458 sections into 480⁸. The new codes are:

- Industrial Relations Code Bill, 2020
- Code on Social Security Bill, 2020
- Occupational Safety, Health and Working Conditions Code Bill, 2020

The respective bills bring gig economy workers and inter-state migrant workers into the ambit of social security for the first time.

Businesses will find that the new codes facilitate greater flexibility in their hiring and termination processes, and simplify closing down operations. For example, firms with up to 300 workers can now make redundancies without seeking government permission when previously it was up to 100 workers. Conditions restricting workers' right to strike have also been introduced⁹.

Since labour laws is a State subject, it is up to the States to review the rules and reduce duplication, overlaps and redundancy, thereby reducing the regulatory burden. Some have moved quickly. Uttar Pradesh has decided to dilute certain labour laws in the state for the next three years. Madhya Pradesh proposed a series of changes including the need to maintain official records for the purpose of inspection¹⁰.

⁸ <https://www.orfonline.org/expert-speak/labour-reforms-future-ready-but-devils-of-detail-lie-in-states-74490/>

⁹ Ibid

¹⁰ <https://www.nationalheraldindia.com/india/madhya-pradesh-uttar-pradesh-stay-labour-laws-for-3-years-in-the-name-of-covid-19-pandemic>

LIQUIDITY

In order to infuse liquidity into the economy, the self-reliant India campaign introduced several reforms such as:

- Reduction of statutory Employment Provident Fund (EPF) contribution of private-sector employers and employees from 12% to 10% from June to August 2020 and payment of EPF by the Government of India into the EPF accounts of eligible organisations from March to August 2020.
- Monetary reforms through a Reserve Bank of India package worth GBP 82.3 Billion (INR 8.01 Lakhs Crore) were introduced to infuse liquidity in the economy¹¹. The package included measures such as moratorium on loan repayments for all borrowers, and interest rate cuts.
- Liquidity for farmers, the poor, migrants, MSMEs, lending institutions, power distribution companies, and other sectors, through various schemes.

Public Sector Banks, Private Sector Banks, and NBFCs (Non-Banking Financial Corporations) sanctioned amounts to non-individual and individuals under an Emergency Credit Line Guarantee Scheme in September 2020. The scheme was later extended to September 30 2021 (from June 30) or till guarantees for an amount of Rs 3 lakh crore has been issued and disbursement under the scheme is permitted up to December 31 due to the continued adverse impact of COVID-19 on the economy and has been given a budget of INR 3 trillion.¹²

¹¹

<https://cdnbbsr.s3waas.gov.in/s3850af92f8d9903e7a4e0559a98ec857/uploads/2020/05/2020051740.pdf>

¹² <https://www.financialexpress.com/industry/sme/ecigs-4-0-govt-extends-emergency-credit-scheme-for-msmes-increases-ecigs-1-0-tenor-to-5-years/2261660/>

LAW

As noted already, India has made great strides in improving the ease of doing business in the last 6 years, rising from 142nd to 63rd in the World Bank's rankings. The self-reliant India campaign looks to accelerate this progress by transforming the business environment of India through a range of reforms, including easing registration of property, fast disposal of commercial disputes, and a simpler tax regime.

Key reforms include:

Insolvency and Bankruptcy Code (IBC) reform:

- Raising the minimum threshold to initiate insolvency proceedings to GBP ~103,000 (INR 1 Crore) from GBP ~1,000 (INR 1 Lakh), which largely insulates MSMEs¹³;
- Special insolvency resolution framework for MSMEs under Section 240A of the Code;
- Suspension of fresh initiation of insolvency proceedings for up to one year depending upon the pandemic situation; and
- Empowering Central Government to exclude COVID-19 related debt from the definition of "default" under the Code for the purpose of triggering insolvency proceedings.

Reforms in corporate law:

- Decriminalisation of Companies Act violations involving minor technical and procedural defaults to be shifted to an internal adjudication mechanism (IAM). The Amendments will de-clog the criminal courts and the National Company Law Tribunal (NCLT).

Measures for corporates:

- Direct listing of securities by Indian public companies in permissible foreign jurisdictions;
- Private companies which list non-convertible debentures (NCDs) on stock exchanges not to be regarded as listed companies;
- Including the provisions of Part IXA (Producer Companies) of Companies Act, 1956 in Companies Act, 2013; and
- Power to create additional/ specialised benches for National Company Law Appellate Tribunal (NCLAT).

¹³

<https://cdnbbsr.s3waas.gov.in/s3850af92f8d9903e7a4e0559a98ec857/uploads/2020/05/2020051740.pdf>

SELF RELIANT POLICIES OF STATES

Although Atmanirbhar Bharat is a national policy, there are variations in its implementations across India's States and Union Territories. Figure 3, below, outlines some key developments in eight of India's States.

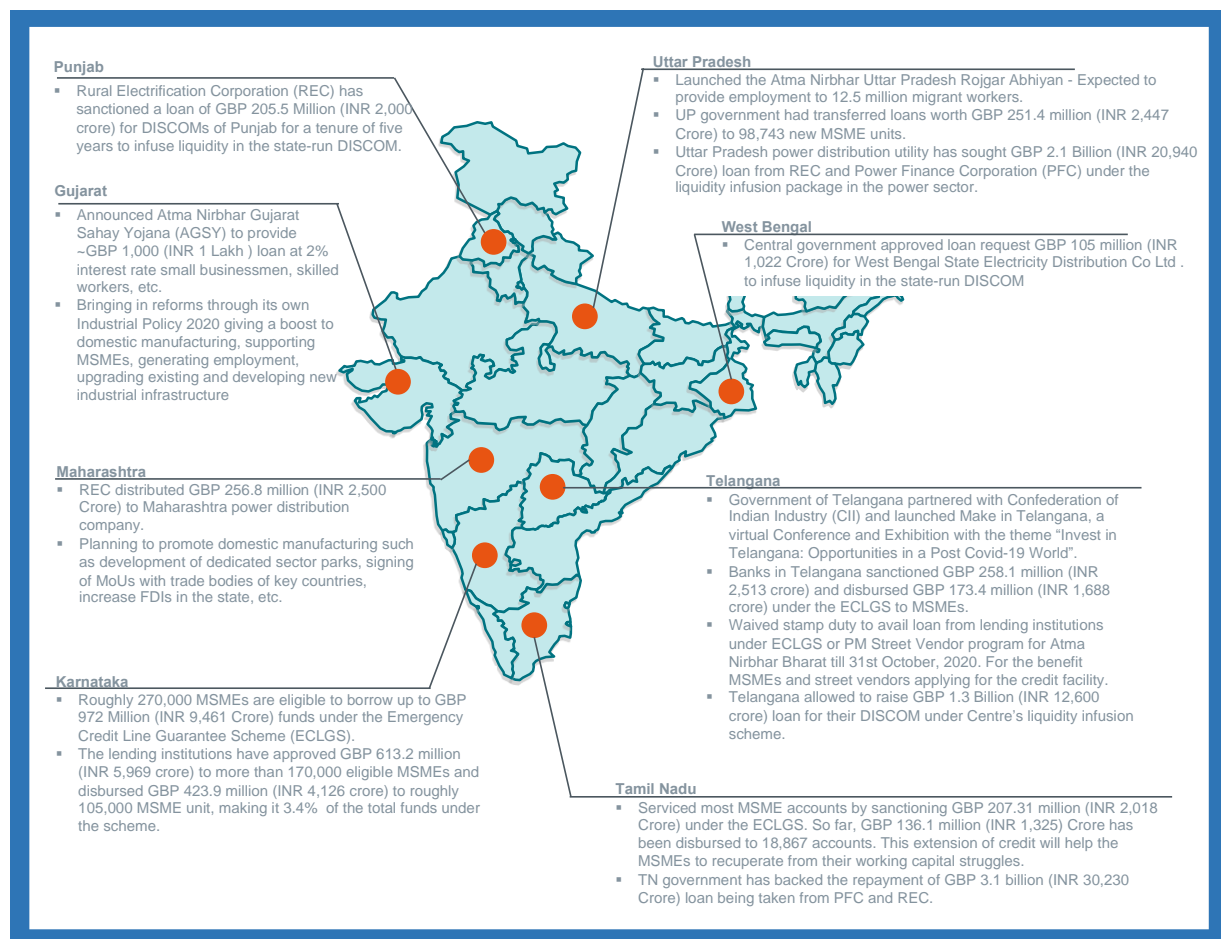


Figure 3

WHAT DOES THE SELF-RELIANT CAMPAIGN MEAN FOR KEY SECTORS?

The campaign highlights the importance of various sectors such as aerospace and defence, food and drink, digital and data services, renewable energy, healthcare, and others. These are important sectors for UK businesses already in India and for those planning to enter the market.



AEROSPACE AND DEFENCE

India is the second largest arms importer in the world. India-UK military ties are multi-faceted and yet the acquisition of defence equipment from the UK remains limited. India purchases arms through foreign military sales, generally Government-to-Government transactions, rather than as direct commercial sales. In the past, the UK has relied on commercial-led transactions for India. However, in a potential 'game changer' for India-UK defence links, the UK Government has been working hard on finalising a new Government-to-Government framework for defence sales to India.

Before introducing Atmanirbhar Bharat Abhiyan, the Government of India had started to revamp and strengthen the domestic defence manufacturing sector. The Government had already established two defence industrial corridors in the states of Tamil Nadu and Uttar Pradesh to attract domestic as well as international players.

In August 2020, the Ministry of Defence (MoD) announced a negative list of 101 defence items for which there would be an embargo on the import beyond the timeline indicated against them.¹⁴ The Ministry added that the list will be reviewed every year to add more items as and when required.

The Defence Minister Rajnath Singh, while releasing the list, said *'The aim behind the promulgation of the list is to apprise the Indian defence industry about the anticipated requirements of the armed forces so that they are better prepared to realise the goal of indigenisation.'*

Other reforms are more positive for international investors, including the increased FDI in defence through the automatic route from 49 percent to 74 percent.

The reforms are expected to:

- Encourage global players to set-up manufacturing operations in India, including through joint ventures, acquisitions and greenfield investments, supporting private and public partnerships both at global and domestic level;
- Expand and modernise India's defence manufacturing capacity, using private companies' designs or technologies developed by Defence Research Development Organisation (DRDO); and
- Reduce the fiscal deficit, boost domestic R&D and increase national security.

Opportunity for UK firms

The UK and Indian Governments are working on multiple MoUs, covering Defence Technology and Industrial Capability Cooperation (DTICC), Defence Logistics, and Defence Training. Along with this, two companies from the UK are engaged in investing in the UP-Defence Corridor. According to Brigadier Gavin Thompson, UK Defence Adviser, "as natural defence partners and supporters of 'Make in India', the UK also

¹⁴ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1644570>

wants 'Create in India' to develop new technologies together"¹⁵.

The Indian Government has introduced reforms to increase private participation, for both domestic and international players. This, coupled with the expansion of FDI through the automatic route, will help to attract international investment into India. The MoD also launched other initiatives such as indigenisation of imported spares and the establishment of a separate budget for domestic capital procurement.

Barriers and Challenges

The import embargo on the 101 items of defence equipment is planned to be implemented over a period of four years until 2024 and substantial changes in the Defence Acquisition Procedure (DAP) 2020 are expected to ensure that no item in this list is imported beyond the cut-off date. 69 items were under embargo from December 2020, 11 items from December 2021, and 21 items effective from December 2022.

Of these, items worth almost GBP 13.7 billion (INR 130 000 crore) are anticipated for both the Army and the Air Force, while items worth almost GBP 14.8 billion (INR 140 000 crore) by the Navy over the same period.



AGRICULTURE, FOOD AND DRINK

Agriculture, with its allied sectors, remains the most significant sector in India in terms of employment. 70 percent of rural households

still depend primarily on agriculture for their livelihood, with 82 percent of farms being small and marginal.¹⁶

Several initiatives inspired by self-reliant India have been introduced to enhance agriculture, fisheries, animal husbandry, micro food enterprises, and other related industries. These reforms, outlined below¹⁷, are expected to bring in private participation across the value chain leading to increases in employment opportunities, infrastructure upgrades and technological transformation of the sector.

Opportunities for UK firms

A financing facility of GBP 10.3 billion (INR 1 Lakh Crore) for funding agriculture infrastructure projects at farm-gate and aggregation points will be utilised by primary agricultural cooperative societies, farmer producer organisations, agriculture entrepreneurs, and start-ups.

Micro food enterprises (MFEs) are in need of technical upgradation to attain FSSAI food standards, to build their brand and marketing. (FSSAI (Food Safety and Standards Authority of India) is a statutory body established under the Ministry of Health & Family Welfare.) A GBP 1 billion (INR 10,000 crore) scheme will help around 200,000 MFEs, and more widely farmer producer organisations, self-help groups and cooperatives.

The Government of India will invest GBP 2.1 billion (INR 20,000 crore) in infrastructure development to support the marine and inland fisheries industry. This is expected to increase fish production by 7 million tonnes over five years, generate over 5.5 million jobs and double exports.

¹⁵<https://www.financialexpress.com/defence/india-and-the-uk-set-to-sign-two-major-agreements-to-work-together-on-jet-engine-technology/2101886/>

¹⁶[http://www.fao.org/india/fao-in-india/india-at-a-glance/en/#:~:text=Agriculture%2C%20with%20its%20allied%20sectors,275%20million%20tonnes%20\(MT\).](http://www.fao.org/india/fao-in-india/india-at-a-glance/en/#:~:text=Agriculture%2C%20with%20its%20allied%20sectors,275%20million%20tonnes%20(MT).)

¹⁷

<https://cdnbbsr.s3waas.gov.in/s3850af92f8d9903e7a4e0559a98ec857/uploads/2020/05/2020051736.pdf>

The Government of India is also setting up an Animal Husbandry Infrastructure Development fund of GBP 1.5 billion (INR 15,000 crore) to support private investment in dairy processing and cattle feed infrastructure. Many areas in the country with high milk production have a great potential, currently underutilised, for private investment in dairy.

Barriers and Challenges

A day after Prime Minister Modi launch the self-reliant India campaign and urged people to go 'vocal for local' and buy Indian products and services, the Home Minister, Amit Shah, announced that all Central Armed Police Force canteens will only sell indigenous products. Initially, an 'informal' embargo on the sale of imported products was imposed, to the detriment of imported liquor such as Scotch whisky from the UK. Then in October India's Defense Ministry imposed a formal embargo on procurement of directly imported items for their canteens.

In November 2020, the Food Safety and Standards Authority of India (FSSAI) published a draft notification suggesting the need for a physical audit of international food and drink manufacturing facilities producing goods for export to India. Currently, certain products like infant formula and water undergo such physical audits conducted by the Bureau of Indian Standards, and trade in these goods has been negatively impacted.

The Basic Customs Duty (BCD) on certain alcoholic beverages has been 150%. In what was initially considered a positive move, this was reduced to 50 percent in the February 2021 Budget. However, due to the implementation of 100 percent Agricultural, Infrastructure, Development Cess (AIDC) on those alcoholic drinks the impact remains neutral.

Industry continues to see the combined BCD and AIDC impact as an impediment to market access for imported food and drink, which deters investment in India and limits the choice available to India consumers.



CIVIL AVIATION

India's civil aviation sector has experienced strong growth in recent years. Passenger traffic stood at 341 million in FY19-20 (up 11 percent since FY15-16) with domestic and international passenger traffic making up 274.5 million and 66.5 million (and growing at 12.9 percent and 5 percent over FY15-16) respectively.¹⁸

According to Union Civil Aviation Minister, Mr Hardeep Singh Puri, Delhi and Mumbai airports together handle about 33 percent of India's passenger traffic movement. The Public Private Partnership model has worked for Delhi and Mumbai airports - together they achieved GBP 3 Billion (INR 29,000 Crore) in revenue for the Airports Authority of India (AAI) between 2006-07 and 2019-20 - 21 percent of the total AAI revenue.

The Self-Reliant India campaign has proposed an increase in public-private partnership (PPP) activity in the development of airports. As well as generating revenues for the AAI, PPP has helped India to develop world-class airports, which offer efficient and quality services to passengers.

There is also a goal to make India a major location for the maintenance, repair, and overhaul (MRO) of aircraft. Approximately 10%¹⁹ of the MRO of aircraft is done in India and the remaining is sent overseas, including to

¹⁸ <https://www.ibef.org/industry/indian-aviation.aspx>

¹⁹ <https://www.moneycontrol.com/news/business/companies/atmanirbhar-bharat-package-airlines-may-be-sulking-but-mro-segment-welcomes-spotlight-5287811.html>

the Middle East, Europe, and Sri Lanka. The tax regime for MRO has been rationalised to make Indian a more attractive destination²⁰.

Opportunity for UK firms

Demand for MRO facilities is increasing in India due to consistent double-digit growth in the aviation sector.

Government agencies project development of about 250 airports across the Country by 2030. Two airport developments alone – Navi Mumbai and Mopa (in Goa) – are attracting an estimated USD 3bn in greenfield investment. For the development of the aviation industry in the North-East States, the AAI plans to develop Guwahati as an inter-regional hub. It also plans to develop Agartala, Imphal and Dibrugarh as intra-regional hubs.

Indian airports are emulating the Special Economic Zone (SEZ) Aerotropolis model to enhance revenues. The model focuses on revenues from retail, advertising, vehicle parking, security equipment and services²¹.

This presents significant opportunity for UK companies: for architects and engineering firms and construction consultancy companies to support the design and construction of airports and related infrastructure. Additionally, retailers will find increasing opportunity for outlets in the duty free/shopping areas of new and expanded airports.

Barriers and Challenges

There are still major challenges relating to foreign professional property service firms supporting India. Mutual recognition of qualification is barrier with UK architects only able to work as design consultants leading to increased costs for duplication.

²⁰

<https://cdnbbsr.s3waas.gov.in/s3850af92f8d9903e7a4e0559a98ec857/uploads/2020/05/2020051784.pdf>

Access to public procurement frameworks is also challenging for overseas companies. While employment of local talent and use of locally sourced materials can be a pre-requisite of procurement, making it easier for world class international companies to bid will ultimately assist with knowledge transfer, increase standards and promote innovation.



DIGITAL AND DATA SERVICES

Digital and data services underpins growth, competitiveness, and investment opportunities. The UK and India have huge strengths and complementarities in these innovative areas. Policy and regulation need to keep pace with and embrace new business models and innovation.

While the Government of India's thinking on data protection pre-dates the Self-Reliant India Campaign, its localisation requirements fit with the philosophy as the goal is to support local businesses and compel foreign companies to invest in local data storage facilities.

Data localisation requirements in the Personal Data Protection Bill 2019 (PDP Bill) could have major implications for India and for businesses operating in the country as it may require changes in the IT infrastructure design. We hope the new Personal Data Protection Bill in India becomes a leading-edge measure balancing privacy alongside the need to drive trade in digital services, foreign direct investment and innovation, including in business models.

Through 'AI for All' the Government of India denotes AI as key in the pursuance of the country's unique needs and aspirations. The

²¹ <https://www.makeinindia.com/sector/aviation>

strategy should strive to leverage AI for economic growth, social development and inclusive growth, and finally as a “Garage” for emerging and developing economies. While AI has the potential to provide large incremental value to a wide range of sectors, adoption has been primarily from a commercial perspective. The Government aims to achieve AI for all by enabling all sectors to leverage the technology and create a new ecosystem.

NITI Aayog has decided to focus on AI in five sectors:

- Healthcare: increased access and affordability of quality healthcare;
- Agriculture: enhanced farmers’ income, increased farm productivity and reduction of wastage;
- Education: improved access and quality of education;
- Smart Cities and Infrastructure: efficient and connectivity for the burgeoning urban population;
- Smart Mobility and Transportation: smarter and safer modes of transportation and better traffic and congestion problems.

Opportunity for UK firms

The UK is a world-leader in AI research and innovation, with the resources, finance, and expertise to help deliver India’s AI and data ambitions. There are immense complementarities between the UK and Indian digital business capabilities that, if brought together could see both countries pioneer the fourth industrial revolution together and help achieve India’s AI ambitions.

India’s National Digital Communications Policy creates a roadmap for emerging technologies such as 5G, AI, Robotics, Internet of Things, Cloud Computing and M2M. All areas where the UK has strengths in its private and academic sectors.

UK businesses and education institutions can also play a supportive role in capacity building, upskilling and reskilling the workforce to support India’s digitisation plans.

Barriers and Challenges

Cross-border data flows significantly impact technological advancements, investment and innovation. Various studies demonstrate that data localisation may restrict the ability of local companies to compete in the global marketplace by limiting access to the global supply chain. This isolation may result in reduced investment and access to capital and customers. Businesses acknowledge that Governments may want to localise data for national security reasons. To that point, the localisation of data should be transparent and based on the minimum necessary to achieve the desired objectives.

India’s recently revised report on the Non-personal Data Governance Framework by the Committee of Experts conjures a number of potential challenges. The expanded definition of a Data Business to include an entity which not only collects non-personal data, but also personal data is likely to give rise to multiple registration requirements as a consequence of including personal data within the definition of a data business. As the report stands, it is not clear whether IP-protected content will be excluded from the scope of the framework. Not doing so could accidentally undermining India’s ever improving position as a place to invest and do business for innovation-focussed, IP-based businesses.

It is proposed that there would be mandatory sharing obligations where the datasets serve either a sovereign purpose, public good purpose or a business purpose. The disclosure of confidential and business-sensitive data is detrimental to business and can eviscerate incentives to invest, innovate and compete, which eventually harms the domestic economy.

Development of a UK-India Data Adequacy Agreement that facilitates the cross-border movement of data on a mutual adequacy basis is one such way to remove these barriers. This Agreement would incorporate provisions that protect the personal data and privacy of Indian and British citizens and guarantee the enforceability of those rights.

Additionally, an inability to show compliance with regulations and the use of relevant recognised standards is a significant hurdle for companies wanting to 'Make in India' and export to other markets. Harmonising standards across countries is a major catalyst for trade, allowing companies to sell their products and services without the need for adaptations across multiple markets.

Experiments and innovations with new technologies are unable to gain momentum because of the regulatory hurdles involved in operating in India. By simplifying licensing and regulatory framework and ensuring appropriate security frameworks, the GoI can create attractive investment opportunities in new technology segments and stimulate the deployment of new technologies.



ENERGY TRANSITION AND GREEN ECONOMY

Given India's large population and its projected economic growth, the direction and rate of India's energy transition will affect the global environment as well as the world's markets for energy and energy systems. The country has huge ambitions for renewable energy and energy efficiency, aiming for 450 GW of

renewables and 40 percent of electricity generation by 2030, including greatly improved energy efficiency.

As part of the self-reliant India campaign, the Government of India wants to stimulate a domestic green economy. Measures taken include the Ministry of New & Renewable Energy (MNRE) proposing a 20 percent Basic Customs Duty (BCD) on imports of solar cells and modules, and in November 2020 the Cabinet approved Rs 4,500 crore (GBP 450 Million) for 'High Efficiency Solar PV Modules' for a performance linked incentive (PLI) to solar panel manufacturers.²² A focused PLI scheme for solar PV modules will incentivise domestic and global players to build large-scale solar PV capacity in India and help India leapfrog in capturing the global value chains for solar PV manufacturing.²³

The Union Cabinet also approved Rs 18,000 crore (GBP 1.8 Billion) for a production-linked incentive scheme for advance chemistry cell (ACC) battery manufacturing. On average, 5 percent of the production value is provided as an incentive. The scheme invites foreign companies to set up units in India and encourages local companies to set up or expand existing manufacturing units.²⁴

The Indian government has, under the Ministry of Power, set up Energy Efficiency Services Ltd (EESL), a joint venture of four reputed public-sector energy sector undertakings – NTPC Limited, Power Finance Corporation Limited, REC Limited and PowerGrid Corporation of India Limited. EESL is now developing new business models that will help provide distributed solar energy to rural areas in India, as well as battery storage, streetlights and efficient appliances. In order to achieve its ambition, EESL is working with international businesses, including from the UK, to seek

²²[https://www.business-standard.com/article/economy-policy/pli-scheme-to-boost-solar-manufacturing-reduce-import-dependence-120111101847_1.html#:~:text=The%20Union%20Cabinet's%20decision%20to,boost%20to%20the%20domestic%20companies.&text=The%20Cabinet%20approved%20Rs%204%20C500,and%20renewable%20energy%20\(MNRE\).](https://www.business-standard.com/article/economy-policy/pli-scheme-to-boost-solar-manufacturing-reduce-import-dependence-120111101847_1.html#:~:text=The%20Union%20Cabinet's%20decision%20to,boost%20to%20the%20domestic%20companies.&text=The%20Cabinet%20approved%20Rs%204%20C500,and%20renewable%20energy%20(MNRE).)

²³ <https://pib.gov.in/PressReleasePage.aspx?PRID=1671912>

²⁴ <https://niti.gov.in/performance-linked-incentive-pli-schemes-will-play-key-role-achieving-manufacturing-scale-ceo-niti>

products and technologies that can support India with its energy transition.²⁵

Specifically on e-mobility, the aspiration as stipulated by the Government of India think tank, NITI Aayog, is that 70 per cent of all commercial cars, 30 per cent of private cars, 40 per cent of buses, and 80 per cent of two-wheeler and three-wheeler sales would be electric by 2030.²⁶

India's electric vehicle (EV) market could be worth more than USD 200 billion in the coming decade if it were to achieve its FY 2030 EV ambitions, says a study by the CEEW Centre for Energy Finance (CEEW-CEF). India's FY30 EV ambition will translate into total sales of 102 million vehicles, annual battery demand of 158 GWh and a support infrastructure of 2.9 million public charge points.²⁷

Opportunity for UK firms

While India is yet to officially spell out its electrification targets for 2030, the focus on increasing its renewable energy share and moving towards cleaner energy sources in its energy mix remains resolute.

Major opportunities can be expected in solar, wind (including off-shore wind energy), waste-to-energy, alternative fuels, hydrogen, microgrids and electric mobility. All these are areas in which the UK has significant expertise. UK businesses could look to co-develop technologies, collaborate with Indian counterparts on manufacturing equipment and critical components. The UK is also very well placed to continue providing innovative financing to projects in this sector.

As far back as 2015, the Government of India set ambitious targets for electric mobility and launched the Faster Adoption and Manufacture

of hybrids and Electric vehicles (FAME) scheme to support their development. These schemes are expected to boost demand to an estimated annual battery capacity requirement of 158 GWh by 2030. India, therefore, offers a range of opportunities for UK businesses with technology or knowhow linked to the future of mobility, particularly electric vehicles. 100 percent foreign direct investment is allowed in the EV sector under the automatic route.

The EV market also presents an opportunity for UK banks in India. According to the CEEW-CEF study, if 50 percent of the EV upfront costs — USD 103 billion — required through FY21-FY30 were to be financed through debt, the banking sector would have to more than triple its current advances of USD 31 billion towards vehicle loans in the next 10 years.

It is, however, worth noting that this sector is in its early stages, and there is much that needs to be done to fully realise its potential in India. For instance: charging infrastructure needs to be developed; manufacturers are dependent on incentives; the high cost of electric vehicles; and an insufficient supply of electricity in many parts of the country.

Of course, businesses see challenges as opportunities, so there is much that UK companies can contribute to the EV revolution in India.

Barriers and Challenges

There have been ad-hoc policy changes, overly aggressive lowering of the tariff caps set in renewable energy auctions, and foot-dragging by state power distribution companies (DISCOMS) once developers have successfully bid into auctions.²⁸

²⁵ <https://www.ukibc.com/indias-energy-transition-opportunities-for-the-uk/>

²⁶ <https://www.businesstoday.in/sectors/auto/electric-vehicles-a-206-billion-opportunity-for-india-by-2030/story/424272.html>

²⁷ <https://www.thehindubusinessline.com/economy/india-requires-180-b-investments-in-ev-production-charging-infra-study/article33282383.ece>

²⁸ https://www.ey.com/en_uk/power-utilities/renewable-energy-in-india-developers-face-challenges-as-a-giant

For example, the shift in the wind sector from fixed feed-in tariffs to competitive auctions means that few bids are being received from developers. Land acquisition has been a challenge for developers, but the Government has stepped in to provide sites in recent tenders. It is also working to provide transmission capacity for sites that are distant to demand centres, which should ease pressure on potential bidders.²⁹

In Andhra Pradesh, one of the leading states for renewables development, the state is attempting to renegotiate power purchase agreements (PPAs), resulting in disputes with developers and leading DISCOMS to delay payments to operating projects. The Ministry of New and Renewable Energy is strongly opposed to any changes in signed PPAs, however, so it remains to be seen if such a step will be taken.³⁰



FINANCIAL AND LEGAL SERVICES

The Indian Financial Services sector is growing at a phenomenal pace as India drives towards its aspiration of being a USD 5 trillion economy. The UK, as the world's leading financial services centre, has an abundance of skill and knowledge to support India through this growth. To achieve its economic aims India will need to fundamentally restructure its financial services sector from a largely public sector dominated one to a more balanced approach.

The Insurance Sector in India is also part of the success story and is expected to be worth GBP 225 billion by 2025. India is therefore seen as a priority market for UK insurance companies and offers an excellent opportunity. India is currently the 12th largest insurance market globally with

1.6 percent of the world's premiums but is significantly underinsured at present. Current insurance penetration levels are around 3.4 percent, well under the Asia average of 5 percent and far behind the likes of Japan with 11 percent.

Opportunity for UK firms

The recent opening of the insurance sector to both brokerage and insurance companies has been much welcomed and the changes to legislation for the Indian owned and control ruling will also please the industry. At the Union Budget in February 2021, Finance Minister Nirmala Sitharaman announced the increase of the FDI limit in the insurance sector to 74 percent, up from 49 percent, which will help private insurers to grow their investments in India.

Like the banking sector, there is a heavy public sector presence making it difficult for new entrants and free competition. The announcement in the February 2021 budget that India will complete the IPO of LIC by 2022, as well as the privatisation of another unnamed public sector insurer, will help to further open the market and the UK should offer support with the IPO process given the talent and expertise with this sector.

Barriers and Challenges

Most foreign banks in India are set up in the form of branches which are duly regulated by the RBI and are considered as foreign companies in India. Banking business and financial services are governed primarily by the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 empowers the Central Bank to issue rules, regulations, directions, and guidelines on issues relating to the banking sector and monetary system in India. Cross-border transactions are governed primarily by the Foreign Exchange Management Act, 1999.

²⁹ https://www.ey.com/en_uk/power-utilities/renewable-energy-in-india-developers-face-challenges-as-a-giant

³⁰ https://www.ey.com/en_uk/power-utilities/renewable-energy-in-india-developers-face-challenges-as-a-giant

Public sector domination of the banking system, coupled with policies that require high percentages of lending to be ringfenced for certain sectors, means that achieving profitability is challenging. Furthermore, banks are only allowed to allocate 5 percent of bad debts as write offs to corporation tax. Accordingly, the income earned by such branches from their banking operations carried out in India is considered to be in the nature of business income and the profits from such business are taxed at the base rate of 40 percent plus surcharge and health and education cess, as applicable (i.e., maximum rate of 43.68 percent).

In September 2019, a new optional tax regime was introduced for domestic companies. Under this optional regime, the rate of tax for domestic companies is reduced from 30 percent to 22 percent, resulting in a maximum tax rate of 25.17 percent for such companies, subject to certain conditions. Domestic companies which opt for this regime will also not be subject to the provisions of Minimum Alternate Tax (MAT).

Earlier, the Indian branches of foreign banks were not subject to the payment of Dividend Distribution Tax ('DDT') on their distributed profits, while subsidiaries were charged DDT at an effective rate of 21.17 percent on their distributed profits, which narrowed the gap between the headline tax rates for foreign companies and domestic companies. However, the Union Budget has abolished DDT payable by domestic companies and tax dividends in the hands of the recipient.

Globally, the general practice is to have tax rate parity across all companies within the same industry. All BRIC countries, with the exception of India, and the majority of OECD countries practice this. As do important financial centres like Hong Kong and Singapore.



HEALTHCARE

The pandemic has brought intensified attention to the healthcare sector. To support the COVID recovery and to be prepared for similar events in the future, India, like many countries, has sought to become self-reliant in the sector, including health infrastructure, vaccine production, and medical devices and technology.

In July 2020, taking cues from the Atmanirbhar Bharat campaign, the Ministry of Chemical and Fertilisers announced their production linked incentive (PLI) scheme worth GBP 1.4 Billion (INR 14,000 Crore) to promote the domestic manufacturing of pharmaceutical raw materials in India and reduce India's dependence on imports. In addition, the Department of Pharmaceuticals (DoP) announced a GBP 308 million (INR 3000 Crore) bulk drug parks' promotion³¹. The bulk drug park scheme will select states' infrastructure and the Government of India will offer Grant-in-Aid to States with a maximum limit of GBP 102 million (INR 1,000 Crore) per park. So far, Andhra Pradesh, Gujarat, Telangana, Tamil Nadu, Uttar Pradesh, Punjab, and Rajasthan have come forward with proposals to establish these parks. Other states have also taken strong steps to implement other initiatives of the policy.

In January 2021, Union Health Minister Dr Harsh Vardhan outlined the Atmanirbhar Bharat package for the health sector, worth some Rs 60,000 crore, which 'will strengthen delivery of healthcare services across the full continuum of care', including development of critical care hospital blocks in more than 600 districts.

³¹

<http://www.pharmabiz.com/NewsDetails.aspx?aid=129918&sid=1>

India has also become self-sufficient in the indigenous manufacturing of PPE kits and is in a position to export the same.

The Serum Institute of India (SII) has partnered with University of Oxford and AstraZeneca to manufacture one of the world's leading Covid-19 vaccines. This is an excellent example of international collaboration leading to a positive message for the Self-Reliant India campaign. Vaccine development and rollout will remain critical for years to come.

Opportunity for UK firms

Indian and UK businesses could help to support in delivering the Ayushman Bharat/PM-JAY scheme and the National Health Scheme (NHS) through providing digital infrastructure. As highlighted by the Government of India, building strong capability in digital health and effective use of technology will be paramount to achieving the ambitious goals.

Though the UK and India have already come together on the development of one vaccine, the challenge to vaccinate the world's population creates opportunity for further cooperation. Furthermore, the success of the Oxford-Astra Zeneca-Serum vaccine highlights the benefits that occur when collaboration takes place. This collaboration is a great example of 'developing in UK', 'making in India' and 'distributing globally'. As a result of this partnership, Serum Institute announced a GBP 240 million investment to expand its vaccine business in the UK which will further bring together the strengths of both countries in creating more jobs and R&D capability.

The Indian healthcare market is expected to grow three-fold to INR 8.6 trillion (USD 133.44 billion) by 2022. There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of GDP is

rising, having grown to 1.6 percent of the GDP in FY20 from 1.3 percent in FY16.³²

Furthermore, the medical devices industry in India has the potential to grow to a USD 50 billion industry by 2025, from USD 11 billion in 2020, with around 65 percent of the manufacturers in India being domestic players operating in the consumables segment and catering to local consumption with limited exports.³³ Not only to drive the economy, development of the medical devices and medical equipment industry in India can help the country to be self-reliant in the ongoing pandemic and in the future.

Health insurance is another key facet of a fully functioning health system. In 2018, PM Modi launched the Ayushman Bharat Yojana Scheme, a landmark scheme that provides health insurance to the 1 million poorest families, around 500 million people in India. The scheme offers financial protection of up to INR 500,000 (around GBP 5000) in case of hospitalisation due to medical emergencies. Gross direct premium income underwritten by health insurance grew 17.16 percent y-o-y to INR 51,637 crore (USD 7.4 billion) in FY20.

Through UK-India collaboration, significant barriers can be overcome. These include the streamlining and standardising of millions of healthcare records, training tens of thousands of much-needed new medical practitioners, developing and applying the cutting edge of health-tech to secure last-mile delivery, and much more.

The UK is one of the market leaders in fraud prevention and control, through recent initiatives such as digitisation of prescription exemptions that work to ensure that public funds are entirely invested in improving healthcare. Given the UK's experience and capabilities in this area, UK companies are extremely keen to collaborate with the National

³² <https://www.ibef.org/industry/healthcare-india.aspx>

³³ <https://www.investindia.gov.in/sector/medical-devices#:~:text=There%20are%20750%E2%80%933800%20domestic,on%20Map%20section%20below>

Health Authority (NHA) or Indian businesses to share best practices and provide their services.

Following Budget 2021, the National Commission for Allied Healthcare Professionals Bill was introduced to ensure transparent and efficient regulation of 56 allied healthcare professions – an area of significant importance. Beefing up the public health ecosystem is crucial as it creates a huge number of jobs in the allied healthcare sector. This is an area where the UK and India can work together towards skilling and re-skilling India's workforce in the allied healthcare sector.

Barriers and Challenges

Necessarily, the healthcare sector has robust regulations. However, there are requirements that disadvantage international investors.

For example, a Public Procurement Order issued on 15 September 2020 by the DPIIT requires a minimum of 20% local content, which creates significant challenges when it comes to patented and proprietary medicines that necessarily imported to India.

Challenges also remain around intellectual property and patent issues. As patents involve technical issues with deep domain understanding, the establishment of a specialised IP and patent benches with technical experience and knowledge would enable the judiciary to accurately interpret issues that, by their very nature, involve complex technologies. This will help in the timely resolution of pharma patent-related disputes and grow investor confidence in India as a preferred manufacturing destination for global pharma companies.

Challenges arise in the patent derivatives of pharmaceutical substances. Although the Patents Act, 1970 Section 3 (d) prevents ever-greening of patents, many players across the world view this provision as disproportionately restricting patent-eligible inventions. Firms are prevented from monetising such improvements,

and thus lack incentive to research and develop newer, better quality forms of known substances than those previously known, affecting the quality of healthcare products available.

Furthermore, there is no effective mechanism, at the moment, for notifying interested parties and patent holders of marketing approvals for biosimilars and bioequivalents. The Special 301 report of the United States Trade Representative states that in April 2020 patent issues continue to be of particular concern in India for innovative industries. The potential threat of compulsory licenses and patent revocations, and the narrow patentability criteria under the India Patents Act, burden companies across different sectors. Moreover, patent applicants continue to confront costly and time-consuming pre- and post-grant oppositions, long waiting periods to receive patent approval, and excessive reporting requirements.

The lack of any effective system for protecting against the unfair commercial use, and unauthorised disclosure, of undisclosed test or other data generated to obtain marketing approval for products remains an obstacle for the pharmaceutical and agricultural chemical industries.

Another significant issue faced by biopharmaceutical companies in India is that marketing and manufacturing approvals are not seamlessly coordinated between federal and state agencies. Indian law allows the Central Drugs Standard Control Organisation (CDSCO) to approve third-party manufacturers to commercialise copies of innovator products, regardless of whether those products infringe on an innovator's patent(s).

Lastly, price controls on inexpensively priced medicines below a threshold level (say less than INR 5 per unit) create unnecessary complications for regulators and companies alike. At the current price-points, with increasing input costs (combined with

unpredictable API pricing), the price control is resulting into companies having to re-think their strategies around these products.



INTELLECTUAL PROPERTY

Intellectual property (IP) is recognised in India and around the world as a vital driver for growth across all sectors and disciplines. Strong, predictable, IP rules and enforcement support and reward innovation. The UK and India are aligned on many IP issues and there are commonalities, such as common law and language, that facilitate the ease of doing business.

IP is recognised as a vital component of innovation and job creation and increasingly referred to in government to government (G2G) trade dialogue and flagship policies, including Self-Reliant India.

India is taking positive steps to improve the domestic IP regime, such as increasing examination sources across the IP India network; streamlining IP processes; raising awareness of the value of IP for economic growth and societal benefit; and tackling the negative impacts of IP infringement, such as counterfeiting and piracy. Many of these initiatives are objectives under India's first national IPR policy, launched in May 2016 and generally well received for its ambitious scope.

India's national IP legislation is largely harmonised with global standards. However, concerns remain that domestic exceptions, particularly in copyright and patent legislation, are anti-competitive and stifle innovation. Additionally, the diverse and fragmented enforcement regime in India combined with

bureaucratic obstacles and lengthy backlogs of civil and criminal cases which, in some cases, may take several years to conclude, presents an impediment for businesses who may need to enforce their IP.

If UK firms do not feel that their IP is secure in India, they may hesitate from producing or manufacturing in India, thereby negatively impacting India's economy and Self-Reliant campaign.



MANUFACTURING

Increasingly, supply chains are regional, with manufacturers clustering close to the end consumer, regardless of whether the consumers are in North America, Europe or Asia.³⁴

Manufacturers are also increasingly making location decisions based on quality rather than cost. According to a January 2019 McKinsey Report, only 18 percent of supply chain location decisions were based on labour costs. The same report highlighted that supply chain trade is becoming more knowledge-intensive, with increasing value in IP, R&D, and brands.³⁵

India's strategy is rightly about quantity and quality, with hi-tech manufacturing and industry 4.0 at the heart of Make in India.

This is already bearing fruit with global giants including Perkins Engines, Rolls-Royce, JCB, BAE Systems, and Renishaw all setting up manufacturing plants in India, attracted by growing skills, an expanding market, and the growing potential of India as an exporting hub.

³⁴ <https://www.ukibc.com/5-steps-india-can-take-to-attract-investment-in-manufacturing/>

³⁵ <https://www.ukibc.com/5-steps-india-can-take-to-attract-investment-in-manufacturing/>

Opportunity for UK firms

The UK's advanced manufacturing and engineering expertise, coupled with an ever-improving trade and investment bilateral relationship, provides a platform for UK firms to play a crucial role in India's manufacturing ambitions.

For Make in India and Self-reliant India to become realities, manufactures in India will need access to technology and knowhow, especially in fields like robotics, artificial intelligence, and machine learning. The Government of India announced in 2020 a GBP850 million fund for further R&D and technology applications as part of the 2020 Union Budget. This remains a strategic goal in 2021 and Atmanirbhar Bharat can be viewed as the newest development in the Make in India story to make India the world's go-to manufacturer.

Alongside this, the Indian economy will benefit from a much closer collaboration between industry and the science being developed in academia, with a focus on STEM, digital and creative skills.³⁶ The UK's world class higher education industry is well-placed to support the development of India's manufacturing sector and related ecosystem.

Barriers and Challenges

As ever in India, announcements by the PM need backing by State Governments. The State Governments are critical, not least as land is a State responsibility and labour laws are a shared responsibility between the centre and states. So, in attracting manufacturing investment, the States and the Centre have important roles to play in enacting strategic policy reforms and in undertaking tactical marketing to engage businesses.

³⁶ ³⁶ <https://www.ukibc.com/5-steps-india-can-take-to-attract-investment-in-manufacturing/>
³⁷ <https://www.cnbc18.com/auto/tariff-barriers-on-auto-components-bad-for-the-long-term-will-raise-input-price-automakers-say-8176801.htm>

In the Budget 2021-22, Finance Minister Nirmala Sitharaman proposed an increase in customs duty on various automobile components to 15 percent with effect from February 2021 (such as ignition wiring sets, safety glass and parts of signalling equipment). The parts previously had a duty of 7.5-10 percent. The initiative was received with caution by Indian industry leaders who believe it could lead to increased input costs, translated into increased prices for cars³⁷.

To succeed, it is vital that governments adopt policies and approaches designed to win in the future, rather than in the present trade and global manufacturing supply chain scenarios.³⁸



SPACE

In June 2020, the Indian government announced structural reforms to open India's space sector for private sector participation and prioritise the core competencies of its different stakeholders. The Union Cabinet also approved the formation of an Indian National Space Promotion and Authorisation Centre (IN-SPACe) to promote the participation of private industry in space activities, including planetary exploration missions. These reforms are significant as the state controlled Indian Space Research Organisation (ISRO) and its allied entities have long held a virtual monopoly in the sector.³⁹

A shift in the fundamental focus of India's space programme – from remote-sensing, communications, and meteorology to telecommunications, defence, and satellite networks – has necessitated the entry of private

³⁸ <https://www.ukibc.com/5-steps-india-can-take-to-attract-investment-in-manufacturing/>
³⁹ <https://www.albrightstonebridge.com/files/ASG%20Analysis%20-%20India%27s%20Space%20Sector.pdf>

players with strengths tailored to these technologies.

Additionally, the cabinet created the New Space India Limited (NSIL), a public sector enterprise that will reorient India's space activities from a supply-driven model to a demand-driven model and advocate for a more friendly regulatory environment in India's space sector.

Opportunity for UK firms

Foreign Direct Investment up to 100 percent is allowed in satellite-establishment and operation, subject to the sectoral guidelines of the Department of Space/ISRO, under the government route.⁴⁰

The IN-SPACE, the newly created space regulatory body, has received at least 26 proposals from Indian and foreign firms within months of the government opening the space sector. The proposals range from approval for ground stations, setting up satellite constellations to making and launching satellites, launch vehicles and providing applications.

OneWeb, a joint venture between India's Bharti Group and the UK Government is among the foreign firms that have shown interest in the space sector. In December 2020, OneWeb announced the launch of 36 communications satellites and said it aims to offer high-speed internet from its constellation of satellites in India by mid-2022.⁴¹

Barriers and Challenges

Service delivery and decision making are critical challenges. ISRO (Indian Space Research Organisation) is a party involved in both, thus creating doubt in the mind of

investors, if their licence applications will receive fair consideration. However, ISRO has now begun to express interest in partnering with the private sector for operations to focus on research and development (R&D) and begin disinvesting from existing governmental space operations.⁴²

The regulatory structure also needs to be refined as more players join the ecosystem. Today, the Department of Space (DoS) acts as the regulator, but since it is a major service provider through ISRO, there is scope for a conflict of interest.

There is lack of clarity about the procedure for obtaining authorisation to launch, the frequency allocation mechanism, and the different agencies involved in the procedure. A licensing allocation framework that simplifies the procedure is a must for successfully building a start-up ecosystem. The critical requirement for start-ups is a single window system that will eliminate the entry barriers.

A well-defined ToT (Transfer of Technology) policy and identifying technologies and products that are of commercial interest, coupled with a buyback arrangement will ensure that the industry is qualified to compete in the global market. Finally, the private sector remains concerned about sharing its intellectual property with the government. If ISRO is serious about partnering with the private sector, policymakers will have to view the industry as more than just a collection of manufacturers or service providers.⁴³

⁴⁰ <https://www.makeinindia.com/sector/space>

⁴¹ <https://www.thehindu.com/sci-tech/science/oneweb-announces-launch-of-36-satellites-to-offer-hi-speed-internet-in-india-by-mid-2022/article33377289.ece>

⁴² <https://www.pwc.in/assets/pdfs/research-insights/2020/preparing-to-scale-new-heights.pdf>

⁴³ <https://www.albrightstonebridge.com/files/ASG%20Analysis%20-%20India%27s%20Space%20Sector.pdf>

IMPLICATIONS OF POLICY ON TRADE RELATIONS AND AGREEMENTS BETWEEN INDIA AND THE UK

After its exit from the European Union in January 2021, the UK acts as an independent member of the World Trade Organisation (WTO). As a result, the UK is free to negotiate Free Trade Agreements (FTAs) with other WTO member nations bilaterally.

In July 2020, at the 14th UK-India Joint Economic and Trade Committee (JETCO), the UK and Indian Governments agreed to remove barriers to trade and commit to an Enhanced Trade Partnership seen as a roadmap to a future UK-India FTA. UK Secretary of State for International Trade, Liz Truss, and Indian Commerce Minister, Minister Piyush Goyal, later agreed terms on the Enhanced Trade Partnership in February 2021 before its formal launch in May 2021.⁴⁴

Prime Minister Johnson and Prime Minister Modi then set out key details of the Enhanced Trade Partnership at a virtual PM-PM summit on 4th May 2021, alongside a 2030 roadmap and intent to negotiate a UK-India FTA. The ETP aims to double the annual trade between the UK and India by 2030 by removing barriers for businesses across a range of sectors. The trade and investment relationship also forms one of five pillars of the 2030 roadmap which covers climate action, defence and security, healthcare, and the people-to-people relationship.

Thus, as well as overcoming the immediate challenge of the pandemic, the collaboration extends to building a long-term partnership that creates jobs and prosperity, tackles medium and long-term healthcare challenges, addresses climate change, and enhances the national security of both countries.

As noted earlier in this report, 77 percent of UK businesses that replied to a UKIBC survey felt that self-reliant India will be positive for them. The willingness of UK businesses to embrace the Atmanirbhar Bharat initiative demonstrates a strong commitment to India. However, it has to be recognised that certain aspects of the self-reliant India initiative have the potential to curtail international trade and investment, such as increased tariffs, non-tariff restrictions on imports, and import substitution.

Messages and ongoing steps taken by the Government of India and senior officials have suggested this will not be the case, including at the PM level most recently in May 2021. Nevertheless, it will be important that this open narrative is maintained and such restrictions are limited to help India to integrate into global supply chains.

The UK-India ETP, and potential future FTA, presents an opportunity to make sure the UK is not affected by restrictive measures. India should look to ensure that preferential negotiations look to carve-out UK businesses from these measures.

The UK and India share great economic complementarity, which can bring both economies to the next level and support both the self-reliant India mission and the 'build back better' mission of the UK. The next section of this report outlines a series of recommendations that we believe will support that aim and the wider bilateral relationship.

⁴⁴ <https://www.gov.uk/government/news/liz-truss-deepens-trade-ties-announces-investment-wins-in-india>

RECOMMENDATIONS

As this report has demonstrated, there are great opportunities for UK (and international) companies to do more business in India as a result of India's renewed approach to global integration. At the same time, Atmanirbhar Bharat continues to risk being perceived as an inward-looking policy. Pronouncements from the US Administration in March 2021 confirm this.⁴⁵

The UKIBC has five recommendations that we believe can help to overcome these concerns and maximise opportunities with the international business community. As ever in India, the State governments are critical, so in attracting investment, the states and the centre have important roles to play in enacting strategic policy reforms.

RECOMMENDATION 1: BUILD A STRATEGY FOR THE FUTURE, TAKING A LONG-TERM VIEW

To succeed, it is vital that the Government of India and State Governments adopt policies and approaches designed to win in the future, not just in the present trade and global manufacturing supply chain scenarios. A long-term approach is needed to succeed.

Governments across India can succeed by recognising that, increasingly, supply chains are regional, with manufacturers clustering close to the end consumer. Covid-19 is expected to accelerate this trend.

Manufacturers are also increasingly making location decisions based on quality rather than cost. Thus, supply chain trade is becoming more knowledge-intensive, with increasing value in IP, R&D, and brands.

RECOMMENDATION 2: INDIA SHOULD BECOME INCREASINGLY OPEN TO FREE AND FAIR TRADE

India should increase its efforts to expand trade and investment collaboration in Asia so that it can benefit from increasingly friction-free trade across the region, particularly with ASEAN, which is a region increasingly rich in consumers and manufacturers. By giving global manufacturers improved access to the whole of Asia, India will become an even stronger magnet for investors.

India should attract investors due to its strengths rather than by using tariffs as a tool to push international businesses to invest and make in India. Unexpected and sharp rises in tariffs can be counterproductive.

To be a manufacturing hub, India will need to be part of international supply chains, which will mean importing as well as exporting. If tariffs make manufacturing in India too expensive, investors will go elsewhere.

If India does choose to use tariffs, it should do so by signalling how tariffs will increase over a period of years. This would give investors the incentive to create an Indian supply chain and the time to do it. Manufacturers will, over time, develop an India-based supply chain. This will be a mix of bringing suppliers into India and helping existing indigenous manufacturers to enhance their offer. Neither can happen quickly.

Moreover, the Government of India should be flexible in its "vocal for local" approach.

⁴⁵ <https://www.livemint.com/news/india/us-criticizes-india-at-wto-over-increasing-restrictions-on-trade-11615144817678.html>

There are some products that cannot be produced in India and hence there are no domestic alternatives. For example, food and drink products that are geographic-specific - Scotch Whisky, Champagne, or Parma Ham. To ban such items from sale in the CSD canteens sends a wrong signal.

RECOMMENDATION 3: FOCUS ON DEVELOPING AND SUPPORTING INNOVATORS

With international businesses making investment decisions based on access to talent and technology, there are three areas where India can stand-out.

As well as making its labour market more flexible, India should focus on developing a workforce that has the skills of the future. That means a focus on STEM, digital, creative and critical thinking skills that will build leaders and workers who can innovate and solve problems.

The Indian economy would benefit from a much closer collaboration between industry and academia, including the science being developed in academia. Industry-academia links will enhance employability skills and accelerate the commercialisation of R+D and its application in solving societal challenges.

India should develop an innovator-friendly intellectual property policy and enforcement regime. With future investments likely to be tech-rich and, indeed, digitally driven, India can gain a competitive advantage through its IP regime. If UK firms know that their IP is secure in India, they will not hesitate to transfer technology and manufacture in India. The converse is true too; any doubts about IP protection in India will negatively impact India's economy and the Self-Reliant campaign.

RECOMMENDATION 4: DIGITAL AND DATA

With digital and data services increasingly important in global trade, including in services-

rich economies like India and the UK, there is an opportunity for India to fully integrate with other major democratic markets. India should continue to harness and actively invest in the opportunities that AI, digital technology and data present to achieve its growth potential.

To do so will require a first-class data protection regime that protects the innovation of business and builds confidence among consumers. A competent dispute resolution mechanism will be necessary, and equally important is strong data infrastructure and supporting architecture that engenders trust from business and consumers.

An independent data regulator, judiciary and enforcer - as is common global practice - will help to instil confidence in business and in individuals. Moreover, the localisation of data should be transparent and based on the minimum necessary to achieve the desired objectives, balancing privacy and innovation.

To realise the full benefits of AI, there needs to be:

- a greater cultural acceptance of AI, which will involve educating citizens, businesses and governments of the potential societal benefits;
- a consistent approach to ethical principles, with trust built through the development of internationally agreed principles and regulation;
- data protection and transfer policies; and
- Governments, industry and education institutions taking actions to increase the availability of technical skills.

There is little doubt that digital and data will be at the forefront of the global economy for decades to come. Thereby, acting now to create the right environment for its growth in India will pay great dividends in the short, medium and long terms.

**RECOMMENDATION 5:
PUT SUSTAINABILITY AT THE HEART OF
INDIA'S TRADE AND INVESTMENT
STRATEGY**

Whether it is through UN forums - the Sustainable Development Goals and COP26 - or discussions at the WTO, G7, or G20, sustainability issues are increasingly a feature of trade discussions. If shaped properly, trading arrangements can help support the poor and protect the environment. Countries and trade blocs are cognisant of this fact and as such are increasingly integrating sustainability and human rights into their trade agreements and strategies.

Sustainability covers a wide set of subjects, from environmental protection to social justice to human rights. The self-reliant goal and Make in India ambition will necessitate lengthy international supply chains. It will be critical that such supply chains are ethical, fair and inclusive, with a focus on corporate social responsibility at every stage.

Similarly, environmental sustainability should be accounted for in the products and services that are traded and invest in. Not only does this mean mitigating environmental degradation caused by harmful substances and bad production practices but investing in products that can support the fight against climate change such as renewable energy. India is already leading the way in production of solar energy and we believe that the Government of India can continue to advance this strength while simultaneously developing other climate-friendly solutions for economic growth.

Finally, as well as fostering its own sustainable trade and investment strategy, India could use its global leadership role to encourage its international partners to do the same.

We strongly believe that should these reforms be materialised, India stands ready to continue its rise as a global leader and develop to the benefit of the Indian population. It has been positive to hear Government officials reaffirm India's commitment to global integration. To further support that narrative, taking action through policy will be key to meeting investor's asks.

CONCLUSION

The Atmanirbhar Bharat Abhiyan focuses on economic revival and progress of the Indian economy. By supporting MSMEs, farmers, and other economically weaker sections of society, as well as revamping the supply chain, infusing liquidity, and opening sectors for private players and international players, the campaign is laying the groundwork for a self-reliant India.

Policies have been introduced that boost infrastructure for agriculture, animal husbandry, and fisheries, and the Farm Bill creates multiple marketplaces for farmers to sell their produce. The campaign has also opened several sectors to private investment, such as defence, space, atomic energy, agriculture, insurance, and civil aviation.

A rise in private participation will help to support economic growth, generate employment, and will move India closer to self-reliance.

Yet, as this report highlights, there are perceived and real challenges faced by international businesses as a result of Atmanirbhar Bharat. We are confident nonetheless that these can be addressed by adopting the five recommendations set out above and the UK-India Enhanced Trade Partnership ensures that the UK is not affected by restrictive measures, with preferential negotiations carving-out UK businesses from such measures.

GLOSSARY

AAI	Airport Authority of India
AGSY	Atmanirbhar Gujarat Sahay Yojna
APMC	Agricultural Produce Market Committees
AT&C	Aggregate Technical & Commercial
BOT	Build Operate Transfer
CII	Confederation of Indian Industry
CRR	Cash Reserve Ratio
DISCOMs	Distribution Companies
DMA	Department of Military Affairs
DoFPD	Department of Food & Public Distribution
DoP	Department of Pharmaceuticals
DRDO	Defence Research Development Organisation
DTICC	Defence Technology and Industrial Capability Cooperation
ECLGS	Emergency Credit Line Guarantee Scheme
EPF	Employment Provident Fund
EU	European Union
FDI	Foreign Direct Investments
FICCI	Federation of Indian Chambers of Commerce & Industry
FTA	Free Trade Agreements
FYP	Five Year Plan
GDP	Gross Domestic Product
GHIAL	GMR Hyderabad International Airport
GIS	Geographic Information System
GoI	Government of India
GST	Goods and Service Tax
HFC	Housing Finance Companies
IAM	Internal Adjudication Mechanism
IBC	Insolvency and Bankruptcy Code
ICMR	Indian Council of Medical Research
ICU	Intensive Care Unit
IIS	Industrial Information System
IMF	International Monetary Fund
ISRO	Indian Space Research Organisation
JETCO	Joint Economic and Trade Committee

KIAB	Kempegowda International Airport Bengaluru
MAE	MAS Aerospace Engineering
MFE	Micro Food Enterprises
MFI	Micro Finance Institutions
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoD	Ministry of Defence
MRO	Maintenance, Repair, and Overhaul
MSF	Marginal Standing Facility
MSME	Micro Small and Medium Enterprises
MSP	Minimum Support Prices
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NCD	Non-Convertible Debentures
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NHB	National Housing Board
NPA	Non-Performing Assets
PDS	Public Distribution System
PF	Provident Fund
PFC	Power Finance Corporation
PLI	Production Linked Incentive
PMGKP	Pradhan Mantri Garib Kalyan Package
PMMSY	Pradhan Mantri Matsya Sampada Yojna
PPE	Personal Protective Equipment
PPI	Private Participation in Infrastructure
PPP	Public-Private Partnership
R&D	Research and Development
RBI	Reserve Bank of India
REC	Rural Electrification Corporation
RERA	Real Estate Regulatory Authority
SEZ	Special Economic Zones
SIDBI	Small Industries Development Bank of India
SII	Serum Institute of India

SVAMITVA	Survey of Villages and Mapping with Improvised Technology in Village Areas
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TLTRO	Targeted Long-term Repo Operations
VGf	Viability Gap Funding
WTO	World Trade Organisation

ANNEXURE

Roadmap 2030 for India-UK future relations launched during India-UK Virtual Summit (4 May, 2021)⁴⁶

2030 Vision

India and the UK are committed to a partnership that delivers for both countries. Our 2030 vision is for revitalised and dynamic connections between our people; re-energised trade, investment and technological collaboration that improves the lives and livelihoods of our citizens; enhanced defence and security cooperation that brings a more secure Indian Ocean Region and Indo-Pacific and India-UK leadership in climate, clean energy and health that acts as a global force for good.

The Opportunity

Both India and the UK are vibrant democracies and leading economies of the world with impressive advances and capabilities in human resources, manufacturing, innovation, science, education, research, fintech, space, defence, emerging and green technologies, clean energy among others. Both are suitably placed to bring their respective strengths to address global challenges with regard to climate, security, terrorism and pandemics and believe that democratic norms and principles are the mainstay for maintaining a rules based international system and respect for universal human rights.

Through this ambitious Roadmap, we will elevate the India-UK relationship to a Comprehensive Strategic Partnership (CSP). The Roadmap will guide cooperation for the next ten years covering all aspects of our multi-faceted relations. We will have an annual Strategic Review meeting at the Foreign Minister level to monitor the implementation of the Roadmap, if required update it and report back on the progress to our Prime Ministers.

I. Connecting our countries and people

As two modern, open and democratic societies, we will strengthen the bonds between our countries. The India-UK relationship has at its heart shared history, values and culture, with the strong understanding of each other that it brings. This has created a highly educated, and economically dynamic living bridge, with 1.6m Britons of Indian origin. This inherent strength means our relationship is already broad, with cooperation everywhere from agriculture to space, but we believe it has great potential to grow further. We will upgrade institutional mechanisms that will enable us to set and achieve ambitious goals in all areas of cooperation and strengthen avenues for people to people connect in education, research and innovation, capacity building, employment and culture.

To achieve this and related objectives, we will

1. Political

1.1 Enhance high level & ministerial contacts to further improve bilateral institutional mechanisms (such as the Economic and Financial Dialogue led by India's Finance Minister and the UK Chancellor of the Exchequer, the Joint Economic and Trade Committee led by India's CIM and the UK Secretary of State for International Trade, and the Strategic Dialogue between Defence Ministers) for an in-depth exchange of views on bilateral, regional and global issues with focus on the Commonwealth countries

⁴⁶<https://www.mea.gov.in/bilateral-documents.htm?dtl/33838/Roadmap+2030+for+IndiaUK+future+relations+launched+during+IndiaUK+Virtual+Summit+4+May+2021>

in Africa, CARICOM and Pacific Island States.

1.2 Ensure effective high-level cooperation through biennial India-UK Summits (agreed at PM level in 2015), ministerial meetings and regular high-level exchanges.

1.3 Strengthen cooperation and coordination in the UN, including at the UNSC and UNFCCC, and other multilateral fora such as G-20, WTO (in the run up to the twelfth WTO Ministerial Conference in November 2021), WHO, Commonwealth, IMF and World Bank etc., while preserving their core principles. Promote and uphold a rules-based international system and work together to promote reformed multilateralism to make international organizations, including the UN Security Council, more representative, reflecting contemporary realities, and more effective in addressing current global challenges through regular contacts and exchange of views between MEA and FCDO and between our delegations in New York and Geneva.

1.4 Promote and facilitate regular exchanges between our parliamentarians, judges, executive agencies and public bodies to foster deeper mutual understanding and strengthen our democratic and institutional partnership.

1.5 Promote Track 1.5 and Track 2 Dialogues between our think tanks and academic institutions on various aspects of our strategic relations.

1.6 Enhance India-UK engagement within the Indian Ocean Rim Association (IORA) framework as UK is a Dialogue Partner in IORA.

1.7 Enhance convergences and work together on the broader Indo-Pacific Agenda to maintain peace, stability, safety and security in the Indo-Pacific region, and explore the potential for cooperation under the Indo-Pacific Oceans Initiative (IPOI).

2. Migration and Mobility

2.1 Implement the comprehensive Migration and Mobility Partnership covering movement of students and professionals as well as irregular migration keeping in view the UK's new skills based immigration policy no later than April 2022.

2.2 The UK commits to a joint dialogue with India, including relevant stakeholder participation, for mutual exchanges and sharing of information concerning the possibility of signing a Social Security Agreement.

2.3. Engage further on the issue of signing a diplomatic visa waiver arrangement/MOU to facilitate official exchanges.

2.4. Enhance cooperation under the bilateral Extradition and Mutual Legal Assistance Treaties to facilitate speedy conclusion of extradition requests from both sides.

3. Consular cooperation

3.1 Strengthen the India-UK Consular Dialogue to promote closer cooperation in consular matters and to resolve long-running or complex consular cases, develop working-level arrangements to promote safe travel for the millions of Indian and British nationals who travel between our two countries each

year, ensuring they are able to access first class consular services when required.

3.2 Establish a working mechanism on cooperation in consular crises, including consular crises in third countries and on best practice for crisis preparedness and crisis management.

4. Education, Research and Innovation and Enterprise

4.1 Expand cooperation between our universities in light of India's New Education Policy, including by agreeing mutual recognition of qualifications before the end of 2021, simplification of the education regulatory framework, embracing online courses, integrating vocational training into mainstream education and greater international collaboration

4.2 Work towards mutual recognition of professional qualifications at the earliest possible date

4.3 Enhance development of direct linkages and partnerships between higher educational institutions of both the countries

4.4 Support and promote the two-way mobility of a greater number of students, teachers and researchers.

4.5 Enhance exchange of ideas on the India-UK partnership by organising networks of leading think tanks, universities and research organisations, as well as libraries and museums in both countries.

4.6 Enhance cooperation between India and the UK on strengthening the role of women in STEMM at schools, universities, and research institutions and creating an enabling environment for equal participation of women in STEM disciplines through collaboration on new initiatives like Gender Advancement for Transforming Institutions (GATI) project.

4.7 Develop collaborations between Industry, Academia and the Government to foster innovation among school students by focusing on teacher training, mentoring and sharing of global best practices through initiatives like the India Innovation Competency Enhancement Program (IICEP).

4.8 Continue the biennial ministerial UK-India Science and Innovation Council to set the agenda for the two governments' science, research and innovation collaborations, and align with wider-shared priorities and deliver in partnership.

4.9 Build on the two countries' existing bilateral research, science and innovation infrastructure and governmental relationships to continue to support high-quality, high-impact research and innovation through joint processes. Position the UK and India as mutual partners of choice and a force for good in the world in areas of shared priority, including health, the circular economy, climate, clean energy, urban development and engineering healthier environments, waste-to-wealth, manufacturing, cyber physical systems, space and related research.

4.10 Forge partnership across the pipeline of research and innovation activity, from basic research to applied and interdisciplinary research and through to translation and commercialisation across government departments to optimise impact, utilize expertise and networks and minimise duplication.

4.11 Leverage and build on existing, long-standing bilateral partnerships such as on education, research and innovation, to stimulate a joint pipeline of talent, excellent researchers and early-career

innovators and explore new opportunities for student and researchers exchanges by establishing joint centres and facilitating access to state-of-the-art facilities.

4.12 Establish a series of dialogues / working groups under the Memorandum of Understanding on Telecommunications and ICT agreed between the UK Department for Digital, Culture, Media and Sport (DCMS) and the Department of Telecoms in India and the Joint Declaration of Intent on Digitalisation between DCMS and the Ministry of Electronics and Information Technology (MEITY), and strengthen the existing India-UK Tech Partnership to tackle global challenges; realising the potential of Artificial Intelligence (AI), and emerging technologies, the benefits of interactive data systems, and the changing use of technology to overcome the digital divide with a particular focus on the digital economy and society; cyber resilience and telecoms; health technologies; and promoting clean growth, smart urbanisation and future mobility. These discussions will inform a new ministerial level Dialogue on Technology.

4.13 Work together to share knowledge and expertise regarding artificial intelligence, scientific support to policies and regulatory aspects including ethics, and promote a dialogue in research and innovation. Through Tech Summits, bring together tech innovators, scientists, entrepreneurs and policy makers to work together on challenges including the norms and governance of future tech under the cross cutting theme of 'data'.

4.14 Grow programmes such as the Fast Track Start-Up Fund to nurture innovation led, sustainable growth and jobs, and tech solutions that benefit both countries. Explore partnerships with joint investment to enable the growth of technology-enabled innovative businesses and increase the number of start-ups and MSMEs growing and scaling-up internationally, for example in relation to climate and the environment, med tech devices, industrial biotech and agriculture, and sustainable development, helping to achieve the Global Goals by 2030.

4.15 Launch a UK-India Young Entrepreneurship Forum.

4.16 Leverage the Indian and UK strength in Agriculture and allied sciences with a focus on research and innovation to halt the decline in biodiversity associated with large scale approaches to agriculture, improving nutrient and water use efficiency, reducing post-harvest losses, improving shelf life of healthy foods, major animal/aquaculture/plant infections, urban and deep-sea farming, aquaculture diversification, etc. to ensure food security.

4.17 Explore partnership around the future of work as we enter the fourth industrial revolution (4IR) and adapt to working differently and sustainably with new technologies in the post-COVID landscape, in particular creating more opportunities for young people and women to propel the 4IR and understanding the impact and opportunities of this shift and these technologies on people's lives and culture.

5. Culture

5.1 Enhance collaboration to support the development of our Creative Economies to create wealth and secure livelihoods. Work together to better understand the value and impact of the formal and informal creative economy through research and policy dialogue for long-term impact on GDP.

5.2 Enhance cultural relations with support for collaboration, research and exchange in partnership with cultural innovators, creative organisations and heritage sectors to strengthen the creative

economy.

5.3 Strengthen arts and culture capacity programmes and international showcasing opportunities which respond to digital innovation and entrepreneurship in, for example, India's smart cities and creative sectors to enhance enterprise, exchange and expression in festivals, craft and design, and the heritage economy.

5.4 Deepen India-UK cooperation on approaches to the resilience and protection of cultural heritage assets from risks such as natural disasters; meet the aspirations of young India and the diaspora in the UK through mutual learning and creative exchange to enhance equalities, diversity and inclusion.

5.5 Implement 'India-UK Together' ('SAATH-SAATH' in Hindi), a joint cultural exchange programme between the two countries to celebrate India's 75th anniversary of Independence this year. Work towards creating a vibrant arts and culture programme together in 2022 to strengthen artistic collaboration, skills and networks for the creative economies of both countries as part of UK and India's Living Bridge.

6. Connectivity

6.1 Explore initiatives to improve connectivity between India and the UK and seek synergies between our cooperation on connectivity projects with third countries including in the Indo-Pacific region, respecting countries' sovereignty and territorial integrity. 6.2 Work towards renewing our air services agreement following the UK's departure from the European Union.

II. Trade and Prosperity

The UK and India partnership will create shared prosperity and deliver leadership in global economic governance. To unlock the potential for the relationship from our dynamic private sectors, we are launching an Enhanced Trade Partnership (ETP), which includes our intent to negotiate a comprehensive Free Trade Agreement.

To achieve these and related outcomes we will:

7. Trade

7.1 Free Trade Agreement – Confirm our intent to finalise the pre-negotiation scoping phase for a Comprehensive Free Trade Agreement by the end of 2021. This will resolve market access issues, boost exports and strengthen our trade partnership across a comprehensive range of areas. Both sides will undertake respective scoping, consultations and domestic processes, with consideration of the opportunity arising from an Interim Agreement, to achieve the early gains of the ETP.

7.2 Remove barriers to trade through a balanced and beneficial market access package under the ETP including on agriculture, healthcare, education, legal services, seafarers, marine, healthcare and social security.

7.3 Continue cooperation under the Joint Working Group on Trade towards reducing/removing market access barriers faced by Indian businesses in the UK and UK businesses in India.

7.4 Continue to share experience on regulatory reform, tax administration, and trade facilitation and standards through the early conclusion of a new and refreshed UK-India Ease of Doing Business

MoU. Encourage and institutionalize cooperation between relevant regulators, such as FSSAI and the UK regulator to facilitate exports and avoid trade disruptions due to non-compliance with standards by producers and exporters.

7.5 Increase exchanges and cooperation in the services sector such as IT and digital tech, healthcare and life sciences, financial and professional services, transport & logistics, Business Services, Tourism and Hospitality, Audio-Visual Services and other services. Step up bilateral Small & Medium Enterprises (SME) trade and collaborations, particularly technology sharing and financing of businesses.

7.6 Deepen cooperation on G2G across a broad range of sectors, with a particular focus on infrastructure including airports and multi-modal transport hubs, through the establishment of a G2G bilateral framework through which projects can be facilitated between government and industry.

7.7 Continue to explore specific opportunities to collaborate on the Indian Rail and Land Development Authority's station redevelopment programme. This collaboration, to be formalised through the signing of an MoU, will capitalise on the UK's heritage conservation and station renewal expertise and redevelopment experience to support India's extensive programme to regenerate railway links and community hubs across the country.

7.8 Identify infrastructure projects in India, particularly green transition projects, that utilise UK Export Finance support in the form of long term competitive financing of up to £4bn, including in Indian Rupees.

7.9 Explore longer term options for a UK concessional finance offer to mobilise UK expertise into clean, green and sustainable infrastructure projects in India.

8. Financial Cooperation

8.1 Continue to strengthen cooperation under the Economic and Financial Dialogue, held on an annual basis, to realise the potential for increased financial services trade between our two countries.

8.2 Implement the new annual India-UK Financial Markets Dialogue to share expertise, experiences and deepen collaboration between our financial sectors by July 2021.

8.3 Deliver the new UK-India strategic collaboration to accelerate the development of GIFT City, promoting greater links between GIFT City and the UK financial services ecosystem.

8.4 Deepen cooperation on infrastructure through the new UK-India Partnership on Infrastructure Financing and Policy, to support India's ambitious plans for delivering inclusive, resilient and sustainable infrastructure under the National Infrastructure Pipeline.

8.5 Engage actively under the new UK-India Sustainable Finance Forum to drive forward deeper cooperation between the UK and India on sustainable finance, for catalyzing private sector flows into sustainable sectors in India supported by the industry-led India-UK Sustainable Finance Working Group.

8.6 Strengthen the UK-India Fintech Dialogue to enhance collaboration on financial services, including facilitating faster flows of UK-India remittances. Building on the successful launch of RuPay

cards in the UK, explore options for enhancing cross-border payments between the UK and India.

8.7 Drive forward private sector financial cooperation under the India-UK Financial Partnership, with a strong and renewed mandate.

8.8 Build on the UK-India Development Capital Partnerships and strengthen two-way investments between UK and India, with the goal of investing into Indian start-ups, early-stage and green businesses and other innovative ventures and contributing towards sustainable development and the achievement of Global Goals by 2030. Boost entrepreneurial connections and exchanges to promote and strengthen closer cooperation, investment, mentorship and diaspora connects and sharing best practices.

8.9 Continue to encourage the UK's Development Finance Institution the CDC Group to work with India's private sector in the sectors most important for inclusive and sustainable economic growth. This includes an emphasis on women's role as leaders, employees, entrepreneurs, suppliers and customers.

8.10 Take forward our joint investment in the new UK-India Global Innovation Partnership.

9. Investment

9.1 Identify priority areas for partnership and investment in existing and new areas of cooperation including, new and renewable energy, creative industries, advanced engineering, agri-tech, healthcare and life sciences including pharmaceuticals, infrastructure, metallurgy, automotive and agricultural engineering, defence, food processing industry etc.

9.2 Encourage UK companies to invest in India's manufacturing sector taking advantage of the Production Linked Incentive Scheme including in Electronics, Telecommunication equipment, automotive and pharmaceuticals manufacturing.

9.3 Encourage Indian Companies to raise finance in the London market, including through listings and bond issuance, drawing on the success of the masala bond market.

10. Economic co-operation

10.1 Develop the UK-India partnership on economic cooperation, including through the IES-GES economic exchange, and collaboration on new priority economic reform areas such as sharing of experience on privatization.

10.2 Work together to strengthen global economic governance, partnering in multilateral economic fora such as G20, World Bank and IMF to strengthen global growth and tackle emerging issues. This includes working closely on India's G20 Presidency in 2023.

11. Smart and Sustainable Urbanisation

11.1 Launch a new phase of cooperation on urbanisation by supporting smart and sustainable cities, promoting investments, promoting climate action and disaster risk reduction in cities, developing effective solid waste management and treatment and promotion of a circular economy, facilitating sustainable cooling solutions, digitalisation and smart tech, developing effective water supply and

sanitation and innovation in housing to help improve our understanding of social and spatial inequality and blue and green spaces in urban areas and engineer healthier environments.

11.2 Facilitate the involvement of businesses in the partnership on smart and sustainable urbanization and support them in identifying partners, access to financing, and adapting technologies and business models to the Indian context.

11.3 Strengthen the Joint Working Group on Sustainable Urban Development through regular implementation and updating of the Joint Action Plan.

11.4 Enhance India-UK technology partnership to include cutting edge urban innovation including Building Information Modelling (BIM), bioclimatic building design and e-mobility.

12. Space

12.1 Set up appropriate mechanisms to strengthen India-UK space cooperation for peaceful purposes in all areas of mutual interest including joint satellites, hosting of payloads, space technology applications, industry interactions and enhanced information sharing, addressing barriers to commerce and increasing bilateral trade in space goods and services.

12.2 Develop an India-UK space cooperation framework including on global governance issues on outer space and hold consultations on space by October 2021. Coordinate in multilateral fora to safeguard Indian, UK, and global interests, recognising the importance of maintaining a safe, stable, secure and sustainable outer space environment.

13. Cooperation in Nuclear Domain

13.1 Enhance bilateral collaboration on nuclear matters building on the UK-India Joint Working Group, to include mutually beneficial exchanges on nuclear energy, nuclear security and safety, non-proliferation, decommissioning and waste management. Strengthen UK-India exchanges on disarmament and non-proliferation issues and UK's support for India's membership in the Nuclear Suppliers Group.

III. Defence and Security

India and the UK will work in strategic partnership to strengthen efforts to tackle cyber, space, crime and terrorist threats and develop a free, open and secure Indo-Pacific Region.

Our shared interests will underpin greater cooperation in multilateral fora where a strengthened UK India relationship will build understanding among diverse partners on international security and will help set global rules for cyber security and space taking into account their respective interests.

To achieve this and related objectives, we will:

14. Defence and International Security

14.1 Expand cooperation under the Defence and International Security Partnership (DISP) agreed in 2015 and complete a set of framework documents including Logistics and Training MoUs and Grey and Dark shipping information sharing agreements to deepen further our security ties and enable

smooth collaboration between our armed services.

15 Maritime Cooperation

15.1 Promote freedom of navigation and open access, and improve maritime cooperation through a partnership in the Western Indian Ocean, with a new Maritime Dialogue, Grey and Dark Shipping information sharing and mechanisms for operational co-ordination all in place.

16. Joint Exercises and Professional Military Exchanges

16.1 Conduct Joint Service exercises and demonstrate greater complexity in military exchanges.

16.2 Enhance the UK-India Defence education and reform partnership.

17. Defence Collaboration (Research, Innovation, Technology and Industry)

17.1 Under the Defence Consultative Group, embark on a new, ambitious Strategic Collaborative Partnership on research, innovation, technology and industry to develop transformational defence and security capabilities to tackle common threats and the operational challenges of the future, building on the current collaboration under the UK-India Defence Technology and Industrial Capability Cooperation (DTICC) MoU.

17.2 Establish a portfolio of UK-India collaborative projects to support the development of new technologies and capabilities, including government-to-government and business-to business arrangements and projects.

17.3 Broaden our dialogue on Combat Air collaboration to determine how the UK can support India's ambitions for their Light Combat Air MK2 Programme.

18. Cyber Security

18.1 Further enhance cooperation to promote international security and stability in cyberspace including through bilateral cooperation on critical national infrastructure, healthcare and vaccines and encouraging cooperation between governments and the private sector to embed safety in ICT products and in system designs while ensuring the protection of user privacy. This will be supported by a framework that recognises the applicability of international law to State behaviour in a free, open, peaceful and secure cyberspace.

18.2 Strengthen bilateral co-operation in priority areas which would include among other things detecting and responding to malicious cyber activities, on-line threats and crimes, cybercrime investigation, capacity building and cooperation in emerging technologies and associated public safety risks. The priority areas will be further elaborated through the India-UK Cyber Dialogue by April 2023.

19. Counter-Terrorism

19.1 Strengthen cooperation to take decisive and concerted actions against globally-proscribed terrorists and terror entities.

IV. Climate

India and the UK will work together on one of the biggest challenges the world faces, helping to strengthen collaboration between global partners: we will co-lead global climate action, encouraging others to achieve milestone agreements on climate change, enhance bilateral cooperation towards low carbon development and climate resilient pathways, mobilise investment and channel climate finance towards implementation of the United Nations Framework for the Convention on Climate Change (UNFCCC) and the Paris Agreement and supporting a resilient recovery from the COVID-19 pandemic. We commit to safeguarding our planet and building a more environmentally sustainable and inclusive future together, holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Our nationally determined contributions will represent a progression reflecting the highest possible ambition, compatible with the goals of the Paris Agreement.

To achieve this and related objectives, we will:

21. India/UK Partnerships

21.1 Strengthen the India-UK partnership on climate change, delivering a substantial contribution to reduced emissions and improved resilience in the context of strong climate action required in the current decade to reach the goals of the UNFCCC and the Paris Agreement.

21.2 Strengthen bilateral dialogues and partnership on climate change, including the Ministerial Energy Dialogue, and Joint Working Groups on Climate, Power and Renewables.

21.3 Collaborate to strengthen climate discourse and decision making in line with the principles of the UNFCCC including its Kyoto Protocol and the Paris Agreement.

21.4 Take forward collaboration and share best practice and low-cost climate appropriate technologies in areas including: clean energy, clean transport & e-mobility, sustainable finance, green businesses, industrial decarbonisation, protecting nature and biodiversity, and adaptation and resilience. We will work with businesses on all of the above priorities to minimize their carbon emissions while generating sustainable inclusive green jobs and growth by switching to renewables, new tech, electric mobility, improved efficiency.

21.5 Build on the India-UK partnership between the Green Growth Equity Fund and National Investment and Infrastructure Fund to mobilise institutional investments in the targeted renewable energy, waste management, electric mobility and environment sub-sectors, building markets and investment opportunities including through the City of London. Enable greater partnership with India's private sector (including the banking and institutional sector) in shaping and raising global ambitions on climate and green finance.

21.6 Deepen the India-UK Partnership on Green Hydrogen - including through promoting knowledge exchange, policy and regulation cooperation, research and innovation.

21.7 Take forward collaboration through the UK-India Sustainable Finance Forum, supported by the India-UK Sustainable Finance Working Group and explore the possibility of partnership with the Climate Finance Leadership Initiative (CFLI).

21.8 Strengthen collaboration on the India Energy Security Scenarios Calculator to support energy policy and planning.

21.9 Encourage Track II dialogues on climate-related themes including the India-UK Track II Dialogue on Climate and Energy.

22. Clean Energy and Transport

22.1 Strengthen collaboration to promote secure, affordable and sustainable supplies of energy as shared priorities. Reduce the cost of development and deployment of clean energy projects through technology innovation, market-building, knowledge sharing, capacity building, trade and investment and project establishment, for example on energy efficiency, smart grids, AI and digitalisation, efficient electricity distribution in the solar, offshore wind, sustainable cooling, industrial decarbonisation, carbon capture, usage and storage (CCUS) and energy storage sectors and on green hydrogen.

22.2 Unlock India's offshore wind potential by sharing knowledge and expertise to support India's clean energy transition.

22.3 Launch a global Green Grids Initiative at COP26, to include a political declaration by national leaders and increased technical, financial and research cooperation to help deliver India's vision of One Sun One World One Grid.

22.4 On energy, develop collaboration in research and innovation, demonstration and deployment of technologies to promote bio-economy including biofuels towards low emission pathways and climate resilience.

22.5 Strengthen collaboration on clean transport, including in the areas of e-vehicles, charging infrastructure and battery storage.

22.6 Explore new cooperation in areas including Green Hydrogen, Green Steel and on Battery Manufacturing and Innovation.

23. Adaptation and Resilience

23.1 As co-chairs of the Coalition for Disaster Resilient Infrastructure (CDRI), reinforce cooperation on enhancing adaptation and climate change resilience across vulnerable communities, including Small Island Developing States. Both countries will seek to support the development and implementation of plans and strategies for cities and towns and highly vulnerable rural populations as key actors in climate change adaptation.

23.2 Strengthen collaboration for the climate-proofing of infrastructure investment to maximise low carbon and resilience outcomes.

23.3 Work collectively through the Adaptation Action Coalition to highlight good adaptation practices on climate resilient infrastructure, and to scale-up and accelerate adaptation action to support the most vulnerable.

23.4 Strengthen joint collaboration through The Weather and Climate Science for Service Partnership India to advance scientific understanding and modelling capabilities that can be translated into

services.

24. Nature and biodiversity

24.1 Strengthen collaboration to protect and restore nature, and explore ways to mainstream biodiversity into economic and financial decision-making. Address air and water pollution and find innovative solutions to tackling plastic and marine pollution, as well as promoting the integration of environmental concerns and solutions into economic growth policies.

24.2 Work together on building a UK-India Forests Partnership.

25. Waste Management and the Circular Economy

25.1 Strengthen cooperation to support India's transition to a resource efficient and circular economy.

25.2 In waste management under Mission Waste to Wealth, identify, develop and deploy technologies to treat waste to generate energy, recycle materials, and extract resources of value. Identify and support the development of new technologies like the Ocean Thermal Energy conversion, wave energy that promise to create a clean and green environment.

26. Regional and Multilateral Cooperation

26.1 Explore opportunities for mobilising regional and global climate action including through the CDRI, the International Solar Alliance (ISA) and emerging initiatives including One Sun One World One Grid and the World Solar Bank, and maximizing the opportunities afforded by the UK's Presidency of COP26 at Glasgow 2021 including the COP26 Energy Transition Council and ZEVs Transition Council and India's Presidency of the G20 in 2023 to drive climate action over the next ten years.

26.2 As co-chairs of the CDRI, support the creation of a new multi-country Technical Assistance Facility and Fund (TAFF) to support Small Island Developing States (SIDS) to develop more resilient infrastructure. The facility would provide technical assistance to SIDS to help them plan for systemic resilience, to prepare projects fit to attract finance from public, private and multilateral actors and to evolve advanced operation and maintenance standards and systems to enhance long-term resilience.

26.3 Strengthen partnership on climate finance for mobilising major new investment in clean energy and low-cost climate appropriate technologies including to de-risking of investments in mutually identified sectors of economy for clean and resilient development.

26.4 Play supportive roles in the UNFCCC to ensure global coherence in driving down emissions, working together to seek global agreements on critical issues in accordance with national circumstances and sustainable development priorities.

V. Health

As a Global Force for Good in health, the UK and India will use our combined research and innovation strength to address the biggest global health challenges, save lives and improve health and well-being.

We will expand the breadth and depth of the India-UK Health Partnership to enhance global health security and pandemic resilience, show leadership on Anti-Microbial Resistance (AMR), promote healthy societies and strengthen both our health systems through increased collaboration on clinical education, health worker mobility and digital health.

To achieve this and related objectives, we will

27. Hold regular dialogue at Ministerial level on strategic priorities for collaboration in the health sector and through the Joint Working Group on Health and Life Sciences agree an India-UK Action Plan on Health and Life Sciences to establish a detailed framework for collaboration.

28. Covid19 and Pandemic Preparedness

28.1 Work together to boost the resilience of global medical supply chains to ensure critical supplies of medicines, vaccines, logistics, diagnostics and other medical products reach those who need them. Jointly commit to the multilateral effort, including through the COVAX facility, to support equitable vaccine access for developing countries.

28.2 Develop the India-UK partnership on Vaccines, Therapeutics and Diagnostics and expand the UK-India Vaccines Hub to develop distribution policy, clinical trials, regulation, research and innovation related to Covid-19, helping guarantee equitable global supply by April 2022

28.3 Build on the excellent cooperation on the AstraZeneca/Oxford University Vaccine with India's Serum Institute and explore manufacturing deals beyond Covid19 to tackle other infectious diseases and bring co-developed technologies to market.

28.4 Work together on health security and future pandemic preparedness including through an India-UK Zoonotic Research Twinning Initiative to better understand, monitor and mitigate against future pandemics

28.5 Jointly work to bring the urgent reforms needed in WHO so that it is better equipped and accountable in responding to pandemic threats

28.6 Facilitate collaborative research on emerging diseases.

29. AMR

29.1 Take global leadership on tackling the growing health and economic threat of Anti-Microbial Resistance (AMR) on the basis of 'one health approach' and foster greater science and innovation engagement on AMR.

30. Non-Communicable Diseases

30.1 Develop a UK-India Partnership on Healthy Societies by April 2022 to co-develop innovative and inclusive solutions for non-communicable diseases and ageing related challenges.

30.2 Boost existing efforts for the betterment of health and well-being by research and innovation in prevention and treatment of chronic & neurological diseases, brain-computer inter-phase, genomics and precision medicine, cell and gene therapy, vaccines, biotherapeutics (including bio-

manufacturing), smart bio-sensors and bio-electronics, biomaterials and bio-fabrication.

31. Digital Health

31.1 Develop an India-UK Digital Health Partnership to facilitate greater collaboration on digital health initiatives including on sharing of best practice.

31.2 Explore collaboration in tele-medicine services to enhance health services at remote areas under the Ayushman Bharat Programme.

31.3 Promote joint research and policy engagement on health data for Predictive and Precision Health care focusing on machine learning and artificial intelligence and agree on joint activities in this regard by April 2022.

32. Ayurveda and Alternative medicine

32.1. Explore cooperation on research into Ayurveda and promote yoga in the UK.

33. NHS Partnership and Health Worker Mobility

33.1 Strengthen mechanisms to facilitate increased transfer/exchange of doctors and nurses on a permanent or short-term basis.

33.2 Increase opportunities for generic medicine supply from India to the UK by seeking access for Indian pharma products to the NHS and recognition of Indian generic and Ayurvedic medicines that meet UK regulatory standards.