HIGH COMMISSION OF INDIA
London
(Economic & Commerce Wing)

17th October, 2011

Economic & Commercial Report on the United Kingdom
for the week ending 15.10.2011

Economy

GDP Growth: No change since the last week

Inflation: No change since last week

Bilateral Merchandise Trade (in £ million)

Year	UK Exports to India	% change	UK Imports from India	% change	Total	% change	India's Balance of Trade
2005	2798	+25.25	2781	+21.60	5579	+23.40	-17
2006	2693	-3.75	3121	+12.23	5814	+4.21	+428
2007	2968	+10.21	3809	+22.04	6777	+16.56	+841
2008	4135	+39.32	4490	+17.88	8625	+27.27	+355
2009	2941	-28.88	4558	+1.51	7499	-13.06	+1617
2010	4071	+38.42	5781	+26.83	9852	+31.38	1710
Jan-July 2011	3190		3552		6742		

(Source: Office for National Statistics and Overseas Trade Statistics, HM Customs & Excise)

Trade/Investment Enquiries

During the week ending 15th October 2011 the following enquiries from UK and India were received by the Economic & Commerce Wing of the High Commission apart from some enquiries over phone about procedures and regulations to do business within India:

From India

Broad Items	Number of Queries
Importers of garments	2
Agricultural products	1

From UK

Broad Items	Number of Queries

Enquiry about customs and excise duty	1

MEDIA REPORTS

Government to eye migrant cap reduction
FT, October 10, 2011

David Cameron has said the government will consider reducing the cap on the number of workers that businesses can bring into the UK from outside the European Union, as a result of low demand following the introduction of the limit earlier this year. In a speech outlining the coalition's plans to "get a grip on immigration", the prime minister pledged a new hard-headed focus to prevent undesirable migrants from "box-ticking their way into the UK". His eventual aim is to reduce net migration from the current level of 239,000 to a figure in the tens of thousands by 2015. Dismissing the Labour government's previous effort to attract talented economic migrants as a "magnet for fraudsters", Mr Cameron said a tougher approach would mean imposing firm limits on migration rather than "weak minimum thresholds". Accordingly, he said that since businesses are currently using less than half their monthly visa quotas for non-EU migrants, the limit of 20,700 visas made available this year may be lowered in future. "[The lack of uptake] provides the opportunity to consider with business what further tightening of the system may be possible without undermining growth," Mr Cameron said. "We will be asking the Migration Advisory Committee, in consultation with business, to look into this whole area again and to reconsider whether the limit is set at the right level."

The cap was first introduced in April this year, following a trial period using a more stringent limit which prompted bitter opposition from some businesses and criticisms by Vince Cable, business secretary, that the cap was damaging the UK economy. Responding to the prime minister's speech Lady Jo Valentine, chief executive of the business lobby London First, pointed out that lower take-up of visas was to be expected when the economy was so fragile. "What business needs is the flexibility to start recruiting again when the economy picks up," Baroness Valentine said. "Reducing levels now is dangerous at a time when we need to be open to growth, especially when there is already a feeling that the cap creates red tape which is just too much hassle." She urged the government to carry out a full economic impact assessment before further changes are made.

On the issue of migrants who enter the UK to join their family members, Mr Cameron suggested that family sponsors should be asked to pay a "financial bond" to prove they can support their loved ones without burdening the taxpayer. However Keith Vaz, chair of the home affairs select committee, said the proposal should be treated with "extreme caution". "It will antagonise settled communities and enrage our allies such as India," he said. "A more effective method must be found in order for immigrants to pay for public services."

Electricity market heads for shake-up
FT, 12 October 2011

Scottish and Southern Energy (SSE) will break ranks with rival utilities this week by offering its electricity for sale to any household supplier, heralding the biggest change for almost a decade in the UK's electricity market. The vertically integrated big six energy companies sell most of the electricity they generate directly to consumers - a system under which Ofgem, the regulator, has suggested retail energy prices shoot up like rockets but fall like feathers. Ed Miliband, the Labour leader, pledged during his party conference speech to "break the dominance of the big energy companies" by forcing them to auction all of their electricity on the open market. SSE will now do that and auction 100 per cent of its power on the UK's day-ahead wholesale market as soon as practically possible. It will buy all the electricity required for its customers from the same source. Ian Marchant, chief executive of SSE, told the Financial Times that he expected "one or two" of his competitors among the big six utilities to follow suit by Christmas. This heralds a vast expansion of the amount of electricity that will be openly traded. At present, the day-ahead market handles only 40GW hours per day. The average daily demand volume of SSE alone is 165GW hours. Mr Marchant had hoped to begin the auctioning of SSE's electricity as early as Wednesday, but the risk of "swamping the exchange" meant it will phase in auctioning, starting on Friday. The big utilities are under intense political pressure, forcing them to consider radical change in order to restore public trust. This change wil remove one barrier to entry for new suppliers, which may help push down consumers' bill through greater competition.

At present, the utilities use their own power stations to generate most of the electricity their supply. Only a relatively small surplus is traded on the whole sale market. Critics have cited this as (prime example of a closed arrangement helping to explain why the big utilities together supply 99 per cent of the energy consumed by British households. Independent supply companies must buy their electricity on a relatively illiquid market. Ofgem had decided on a partial reform, proposing to force the utilities to auction 20 per cent of their electricity by 2013. Mr Marchant has decided to go further and faster. He described the move as "one feature" of his company's effort to restore customer trust. SSE aims to auction 25 per cent of its electricity by the end of November and 100 per cent by early next year. Assuming that other companies follow, Mr Marchant said that the new system should be "up and running and embedded before April".

UK jobless at 17-year high deepens fears of slide into recession
The Guardian, 15 October 2011

Mass public sector redundancies and a collapse of business confidence have pushed UK unemployment to its highest for 17 years, underlining fears of a slide to recession. The total officially out of work rose to 2.57 million in the three months to August, while unemployment among the under-25s hit a record 991,000. At prime minister's questions, Ed Miliband accused David Cameron of being more interested in saving Liam Fox than in stemming the tide of joblessness. "On the day of the worst figures in 17 years, the prime minister is fighting to save the job of the defence secretary, but he's doing nothing to save the jobs of hundreds of thousands of people up and down this country," said the Labour leader. "It is one rule if you're in the cabinet, it is another rule for everyone else." The number of people out of work is at its highest since 1994, while the rate has jumped to 8.1%. Cameron conceded it was "very disappointing," but refused to swerve from the Treasury's deficit reduction plan. "I accept we've got to do more to get our economy moving, to get jobs for our people, but we mustn't abandon the plan that has given us record low interest rates." For those workers who have a job, there is no relief from the squeeze on their living standards, according to the Office for National Statistics. Average wages, excluding bonuses, are rising at 1.8% – less than half the pace that inflation is rising.

The Bank of England announced £75bn of quantitative easing last week to try to boost demand and restore confidence. But Charlie Bean, its deputy governor, said it would be at least 2012 before life got any easier. "This year has been a particularly bad one," he told the Guardian. "Inflation has been high; earnings growth has been slow; private workers have had a couple of years of pay freezes. However, City economists warned that the jobless figures are just the start of an inevitable deterioration in the labour market. "This shouldn't really come as a surprise – the economy is growing at half the pace it needs to in order to keep unemployment stable. That isn't going to change any time soon – in fact it is probably going to get worse," said Alan Clarke, of Scotia Capital.

George Osborne pledge means UK bill for euro rescue could rise
The Guardian, 15 October 2011

British taxpayers may have to find more cash to prop up the ailing euro after George Osborne backed a move to increase the size of the global bailout fund to rescue indebted European countries. The chancellor, speaking at the G20 summit in Paris, said he was willing to consider a plan to increase the International Monetary Fund's firepower, provided a rescue deal had been agreed that would bring the two-year sovereign debt crisis to an end. Pumping more money into the Washington-based lender was "no substitute", he said, for European leaders hammering out the package of financial measures required to restore stability in the eurozone. Osborne's qualified support for the creation of a larger global safety net could see the UK commit further loans to the IMF, though officials said a comprehensive rescue deal would make extra demands unlikely. His remarks were designed to support moves by G20 finance ministers to arrive at a definitive solution to the crisis while appeasing rightwing Tory MPs who have voiced concerns about extending further loans to the eurozone. His comments came as European leaders continued to wrangle over the size and shape of the fund required to bail out Greece and prevent Italy and Spain from collapse. The make-or-break moment could come at a summit of EU leaders next Sunday (23 October) when Germany and France have promised to set out a plan that would stop the debt crisis spreading to other countries, protect Europe's embattled banks and prevent the global economy from tipping back into recession.

Concern that 20 or 30 European banks would be forced to seek extra capital, probably from taxpayers, has alarmed Brussels, increasing the urgency to find a way to protect sovereign debts without wrecking bank balance sheets. The G20 delayed a decision on boosting the IMF's current bailout fund, which could be doubled in size, though the IMF's dominant shareholders, including the US, Japan, Germany and China, are content with its £270bn of resources.

‘House Swap’ Plan to help the unemployed uproot in search of work
The Guardian, 15 October 2011

The government is to launch a "house swap" programme, reminiscent of Norman Tebbit's call for the jobless to "get on your bike", in an attempt to encourage people to move around the country to find work. The controversial plan to tackle the unemployment crisis means people living in social housing will be helped to uproot their families in order to chase jobs. Details of the scheme are yet to be finalised, but it is understood the plan would involve a nationwide database of house swaps and the removal of any barriers to people in social housing moving between regions. "House swap" emerged in a week when David Cameron was forced to admit that it was "very disappointing" that unemployment had risen by another 114,000 in the past three months to 2.57 million – a 17-year high. The prime minister added that the government would "do everything it possibly can" to tackle the crisis, amid concerns that ministers do not have any answers to the problem. The scheme will be launched in the coming weeks. Grant Shapps, the housing minister, wrote in Inside Housing magazine last week that it would "boost the prospects of tenants wanting to swap their social home to take up new job opportunities, be closer to their family, or move to a property better suited to their needs". He added: "Home swap direct will mark the start of a new drive to improve mobility within social housing."

Lord Tebbit, who famously called on the unemployed to "get on your bike" during the Tory party conference in 1981, told the Observer that he fully endorsed the scheme and hoped there would be further moves to promote a mobile workforce. "When I was a young man I needed to be near to Heathrow in order to attend every day the training school there to achieve a flight navigator's licence," he said. "I lived in digs. I did what any rational person would do. When I look around I find that an enormous number of jobs are taken here from people who have come from Poland, the Czech Republic, Slovakia, Romania. They have moved sometimes over a thousand miles to find a job”.

However, critics said the scheme added to the impression that the government blamed the lack of mobility among the unemployed for the country's rising joblessness. Iain Duncan Smith, the secretary of state for work and pensions, caused a furore last year when he suggested the UK's workforce was too "static".

<u>Events</u>

Shri Kamal Nath visited UK

Union Urban Development Minister, Shri Kamal Nath visited UK on 13-14 October 2011 leading a large delegation of around 40 businessmen from the Indian Chamber of Commerce, Kolkata. The delegation included Ministers from the Indian states of Assam, Manipur, Meghalaya, and Arunachal Pradesh. Shri Kamal Nath addressed the India-UK Business Forum jointly organized by the UK India Business Council (UKIBC) and the Indian Chamber of Commerce, Kolkata. This Forum was organized for promoting trade and investment between India and UK and discussed among the other things opportunities for UK companies in the east and north-east regions of India on sectors such as infrastructure, education, food processing, mining, engineering and IT. Mr. Gregory David Clark, Minister for Decentralization and Cities represented the UK Government in the Forum and addressed the gathering. Shri Kamal Nath also held a bilateral meeting with the UK Minister for Decentralization and Cities and discussed issues of cooperation in urban development issues and planning with particular reference to land economics, capacity building in local government and development projects. He also chaired an Urban Regeneration Group meeting of the leading infrastructure companies in the UK. The UK companies made a presentation on possible collaboration for the regeneration of Indian cities. Shri Rajesh N Prasad, Acting High Commissioner of India also addressed the Business Forum and took part in the bilateral meeting.

Second India-UK SME Conference and Business Meet

The High Commission of India, London organized the Second India-UK SME Conference and Business meet on 13-14 October 2011 in partnership with the Confederation of Indian Industry (CII), the Indo British Trade Council (IBTC) and Leicestershire Asian Business Association (LABA). The CII and the National Small Industries Corporation (NSIC) led large delegations of Small and Medium Enterprises at the conference. The main conference was organized at the Henry Ford College, Loughborough University on 13th October 2011. More than 130 SMEs from the UK and India attended the conference. The 25-member CII delegation was led by Shri T T Ashok, Chairman, CII Southern Region and the NSIC delegation was led by Shri Sunil Tyagi, Chief Manager, NSIC. The focus of the conference was engineering and advanced technology. Shri Rajesh N Prasad, Acting High Commissioner of India and Mr Edward Okden, Managing Director, UK Trade and Investment (UKTI) were the keynote speakers. Shri C. Gururaj Rao, Consul General of India, Birmingham, Mr Uday Dholakia, Chairman of IBTC and LABA and Mr Jaspal Minhas, President of LABA and Prof. Steve Rothberg, Pro- Vice Chancellor (Enterprise), Loughborough University also addressed the gathering.

The programme of the conference included five break-away sessions on collaboration in Auto and Auto-components Sector, Healthcare & Biotechnology/Chemical Engineering, IT & Engineering/IT in Manufacturing, Sustainable Manufacturing and High Technology and Hardware Engineering/Builder's Hardware. The break-away sessions were followed by one-to-one meetings. The High Commission also organized visits to the R&D centres and advanced technology development projects in the Loughborough University and workshops for the Indian delegates. After the conference a networking dinner was arranged in honour of the Indian delegation at the School of Business and Economics in which the Chief Guest was Councillor David Parsons, leader of the Leicestershire County. Around hundred businessmen from the UK Midlands attended the networking dinner. On 14th October the Indian delegates visited the advanced manufacturing centres in Basildon, Essex County where they were addressed by the Leader of the Basildon Council, Councillor Tony Ball, Mayor Mrs. Mo Larkin and Mr. Jeffrey Van Orden, Member of the European Parliament for the East of England. In Basildon, the delegations visited the Prospects College of Technology; New Holland Agriculture, the largest factory for tractor manufacturing; the Selex Galileo company for defence and auto components and the Gardener Aerospace. This SME conference, business meet and field visits to the centres of excellence and advanced manufacturing centres gave the Indian CEOs an opportunity to discuss mutually rewarding business collaborations including joint ventures and transfer of technology. …….