

Britain's not quite open for business

Blog post by Chief Economist Gregor Irwin, 14 November 2016

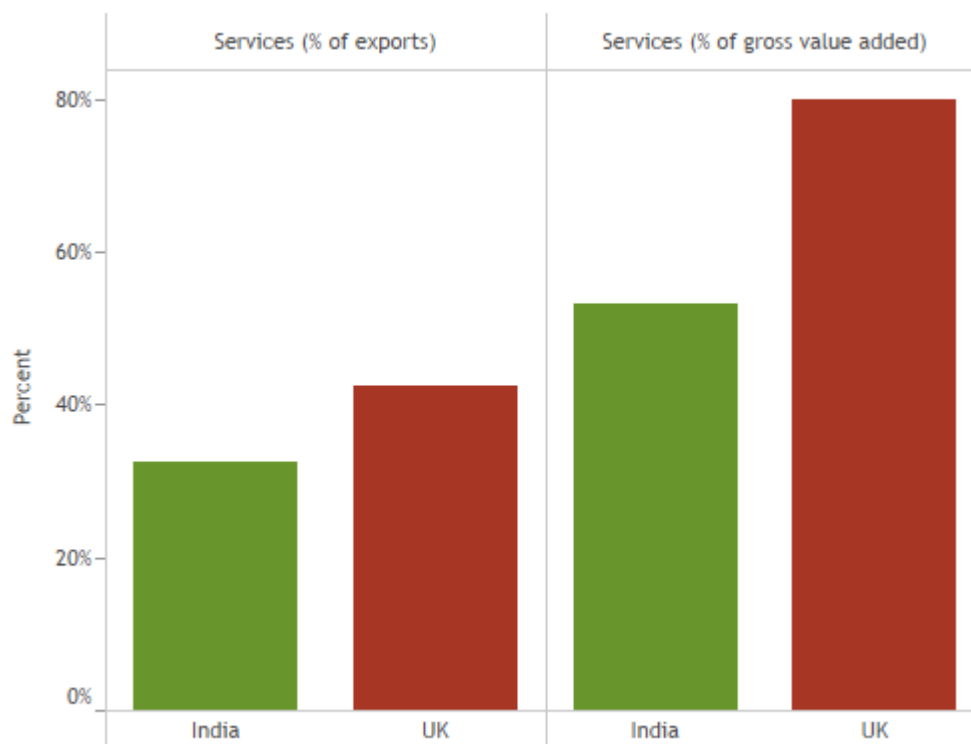
In Delhi last week I had the opportunity to hear how Indians see Britain and what they make of Prime Minister Theresa May.

Mrs May went to Delhi earlier in the week with one overwhelming priority - to demonstrate Britain is open for business. In this she failed. The reasons are revealing and suggest Britain may find it difficult in future to strike trade deals with India and many other countries.

For all the warm words about “people-to-people links” that is what got Theresa into trouble. Britain wants more trade and investment. India wants it to be easier for Indians to work and study in the UK. Each was disappointed by what the other had to say.

The fundamental problem is that the UK - specifically Prime Minister May - sees trade and immigration as two separate issues. As far as Indians are concerned, they are intimately linked.

The services sectors of India and the UK



Sources: World Bank, CEIC, GC calculations

It is not hard to understand why India might see it that way. But by all accounts Mrs May does not get it. For her, these are two separate policy areas that exist in two separate boxes.

India, like Britain, has a thriving services sector, accounting for over half of GDP and almost a third of exports. Services are all about people. This is as true for the IT services in which India excels, as it is for Britain's world-beating financial services.

For Indians, it seems obvious that if their companies are to be internationally competitive their staff must be able to travel and do business where they are needed. Moreover, long-term competitiveness requires that their students have access to the world's best universities, including those in the UK.

British businesses are already able to move their staff around the world with relative ease. Sure there are frustrations, but these are relatively minor. The British government largely takes this access for granted. For Indians, however, getting visas and moving staff can be prohibitively difficult. Indian companies and the government are acutely aware this creates disadvantages.

This is why when a British prime minister arrives saying, "let's talk about trade" the response is "great, let's talk about visas".

And what Mrs May had to say on visas did not go down well. She came with a welcome offer of star treatment for a tiny business elite. But beyond that the message was that Britain would only consider improving visa application processes, rather than changing criteria. And that was linked to India helping to return its nationals who have overstayed their UK visas. In Delhi, Mrs May was still wearing her old Home Office hat.

The impression left in Delhi is that far from opening up, Britain has its foot jammed against the door. Britain looks protectionist. This is not a strong platform to launch a trade negotiation, which is what Britain says it wants.