

India FTA biggest hope for UK to avert economic crisis

PRESS TRUST OF INDIA

London, 13 November

It has been anything but a smooth ride for the Rishi Sunak led UK government, with the latest official data released this week reflecting a shrinking economy and a looming two-year-long recession.

The British Indian former finance minister, who took charge at 10 Downing Street last month with the promise to fix the fiscal errors of predecessor Liz Truss' disastrous mini-budget, has pledged to get a grip on the soaring inflation as a priority and warned of tough tax and spending decisions ahead.

Economic experts agree on the massive scale of the challenge, even as they hold out the prospect of a free trade agreement (FTA) with India as a potential generator of much-needed economic growth.

"The economic crisis in the UK is caused by some new and some longstanding factors," explains Dr Anna Valero, Senior Policy Fellow at the London School of Economics (LSE) Centre for Economic



British Prime Minister Rishi Sunak at the Remembrance Sunday ceremony in London

REUTERS

Performance. "High inflation, high interest rates and tightening fiscal policy occurs against the backdrop of particularly poor productivity growth in the UK since the financial crisis which has been a drag on real wages," she says.

Asked how an India-UK FTA might impact this scenario, the analyst

welcomed the fact that Sunak was committed to an agreement.

"Such a deal could generate growth opportunities for the UK, particularly if there is potential to export services – the UK's key area of comparative advantage – to a market that is expected to grow significantly over time," she notes.

The energy crisis triggered by the Russia-Ukraine conflict is seen as a dominating factor behind Britain's current cost-of-living crisis of mounting household bills. A weak post-Covid recovery, hangover effect of the uncertainties of Brexit since the UK left the European Union in 2016 and years of underinvestment as a result of austerity in the aftermath of the 2008 financial crash stand out as the key ingredients behind today's mess.

"Long before the current crisis the UK economy was suffering from too little investment, economic inequality both between and within its regions, and resulting low growth," says Dr George Dibb, head of the Centre for Economic Justice at London-based think tank Institute for Public Policy Research (IPPR).

This was compounded by the recent decade of 'austerity', which meant cuts that hit ordinary families and degraded the education and health services that are the building block of any flourishing economy.

The constant churn of new prime ministers and govern-

ments with regularly changing agendas has made business decision-making even more challenging and the need of the hour is a period of stability with a plan that will deliver on the growth agenda as the Sunak government prepares to table the crucial Autumn Budget Statement next week.

"There are reports that the government is planning to scrap the dividend tax allowance, but that would be only a small step in the right direction, and we think it should go further and start taxing dividends at the same rate as income tax. Not only would this raise billions more to help support households and businesses, it would also end the injustice that working people pay a higher tax on their income than shareholders," adds Dr Dibb.

The National Institute of Economic and Social Research (NIESR), Britain's independent

economic research institute, also calls for a focus on such an equitable growth agenda in the wake of the Russia-Ukraine conflict induced "terms of trade" shock where the cost of imports – food and energy has risen sharply relative to the value of exports. An India-UK FTA with positivity as the ongoing negotiations run into the new year.

As the fifth largest economy in the world, India is situated at the heart of the Indo-Pacific region which adds to the attractiveness of such a free trade pact. The FTA with India will lead to increased exports, strengthen the UK trade position, and diversify trade routes, making supply chains more resilient and less vulnerable to political developments.

In a bid to revive the UK's manufacturing industry, it will give the UK accessibility to cheaper raw materials for manufacturing outside of the EU.

The FTA will lead to increased exports, strengthen the UK's trade position, and diversify trade routes, making supply chains more resilient

All will have to pay more in tax: Hunt

BLOOMBERG

13 November

Britain's plan to repair its damaged public finances will finally emerge in the midst of an intensifying cost-of-living crisis. Chancellor Jeremy Hunt delivered a message about the plan that could be summed up as: No pain, no gain. Hunt said everyone would have to pay more in tax

to close a gaping budget hole, but that would help make a recession "short and shallow" and ensure the UK becomes one of Europe's most prosperous countries. "I want to make sure that this recession, if we are in one, is as short and shallow as possible," Hunt said in an interview on *Sky News*. He will announce his plan on November 17 as he seeks to plug a budget shortfall

estimated at more than \$59 billion. Reports that he will raise revenue from income tax, implement windfall charges on energy companies and put levies on inheritance have sparked panic in the Conservative Party.

