Brexit and the Anglosphere: an intra-industry trade opportunity for India?

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Abstract:

The present paper outlines a functionalist approach to the complex "Brexit" phenomenon, exploring those opportunities that can be derived of it for third countries, unaware of the upheaval European scenario, as could be the case of India. In pro-Brexit approaches, The Indian Union appears as one of the most important countries of the Anglosphere area, particularly significant for a future focus of the brand-new "Global UK", a relevant global partner in economic, trade & investment aspects. Due to the denominated "Intra-Industry Trade" (IIT), instrumented over the Global Value Chains (GVCs), which possibly constitutes one of the fundamental explanatory elements of the Global World, we have proposed an analysis of the UK-India relations from the IIT & GVCs perspective. Therefore, in our work, we do an analysis of the evolution, situation and perspectives of this kind of trade, especially for its three main sectors: Apparel & Footwear, Electronics and Transport Vehicles.

Keywords: Brexit, UK, India, Intra-Industry Trade, Global Value Chains

Introduction

Brexit could be considered one of the most suggestive phenomena of our time, for its causes (in particular, because of the polemic rounding the configuration and hierarchy of the EU) as for its consequences, especially those related to the UK economic future, particularly its productive potential, commercial, financial and economic options, as alternative to the present relational scenario linked to the EU.

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The magnitude and consequences of the Brexit challenge cannot be eluded by anyone. On the one hand, it is like going back on a previously walked road, which means to mess up (in part) the dense connections of economic, social politics and cultural interactions (with their lacks and weaknesses), which set up the peculiar “imperfect insertion” of the UK in the EU (British Check, Exemptions, Particularities), which has been happening from 1973 between the UK, its European partners and third countries. These relations have been conditioned to a greater extent by his membership of the EU. On the other hand, it is about how to open new ways to the UK and set up new alliances in: economics, trade and financial fields (and also, we suggest, in politics) to navigate unknown seas.

The product of the paragraphs above implies going beyond demagogy, marketing campaigns and electoral slogans. It is about the UK’s reinvention, a process that seems at least painful, traumatic to a certain extent, and, with no doubt, uncertain in terms of result, but this seems to be the decision adopted by the British people. A decision that, in any case, should be respected and taken into consideration. A fact which is evident at the moment is that the debate (rough and harsh sometimes) is more open than ever and, consequently, the generated polemic, though quite unpleasant, indeed, seems to be far from its end.

The connection between Brexit and Globalization could not be omitted. Precisely, the “Global World” has been one of the most common concepts profusely used by pro-Brexit postulates, to justify the breakup with the EU and its historical change of direction. In the Global World, international trade and production are structured around those denominated “Global Value Chains”[1] (GVC)[2] (Gereffi and Fernandez-Stark, 2011, p. 4). The rise of GVCs has developed the increasingly fragmentation of production among different countries interconnected by the GVCs, that link production tasks geographically dispersed in the same industrial production process, which causes the gradual international connection of national Economies (OECD, 2012).

The main result of these processes has been the structural change in international trade and production patterns (Rodrik and McMillan, 2011), which has turned out to be a vertical integrated flow of intermediate goods and services instead of a single interchange of final goods between buyers and sellers (OECD, 2012; Sturgeon and Memedovic, 2011; Heydon and Woolkock, 2012).

[1] Defined by Gereffi and Fernandez-Stark as the “full range of activities that firms and workers do to bring a product from its conception to its end use and beyond” (Gereffi and Fernandez-Stark, 2011, p. 4).

[2] According OECD (2012) “a value chain includes the following activities: design, production, marketing, distribution and support to the final consumer. These activities can be performed within the same firm or divided among different firms. The fact that they are increasingly spread over several countries explains why the value chain is regarded as “global”. (OECD, 2012, p. 7).

From this point, the rise of Intra Industry Trade (IIT) of intermediate goods, semi-finished products, parts and components (Baldwin, 2012) starts. Nowadays, this trade accounts for more than half of the goods imported by OECD countries and for around 75% of imports made by big developing players such as Brazil or China (Ali and Dadush, 2011). The case of intermediate services is even more interesting, it accounts for more than 60% of total world services imports (OECD, 2012). The growing interweave of countries into GVCs and IIT implies, on the one hand, that the exports are going to include a huge amount of imports, and on the other, that there is going to be a bigger generation of aggregated added value due to the use of intermediate goods and services in third countries' exports (Baldwin, 2012).

Given that the so-called "Intra-Industry Trade" instrumented over the Global Value Chains (GVCs) possibly constitutes one of the fundamental explanatory elements of the current global scenario, we intend to use it as a „meter to measure" the reality of pro-Brexit postulates, in particular, the referents to the purposed new global horizons of the United Kingdom in the Global World.

So, in the present paper, we propose an exploration under the potential economic and trade alternatives to the current EU status quo of the UK. For this, we analyse the UK-India trading relations from the IIT & GVCs focus. Therefore, in our work, we perform an analysis of the evolution, situation and perspectives of this kind of trade, especially for its three main sectors: Apparel & Footwear, Electronics and Transport Vehicles.

Why India? In pro-Brexit approaches, India appears as one of the most important countries of the *Anglosphere* area, particularly significant for a future focus of the brand-new "Global UK", a relevant global partner in economic, trade & investment aspects**.** In the Brexit agenda, The Republic of India seems to constitute a luck of "Strategic Reserve", an asset with a huge potential that results essential in the Brexit globalizer coordinates. With a population that reaches 1.326,802 million habitants (2016), India is configured as an evident emerging power at the beginning of the 21st century (at least in demographic terms), near to overcome China. With a GDP growing around an average of 6% (2016), since 2000, a lot of analysts locate this big Asian nation on the third position of the World Economy, along the first half of the present century. Moreover, in terms of their spectacular development in services (1980-2000), a suggestive awakening of some industrial export oriented segments is observed (Steel, Cars, Pharmaceutical products, petrochemicals etc.).

We should also consider the 2.5 million Indians positioned as human capital in technological segments of huge productivity rates, universities and companies of the USA and other western countries, a group with an evident geopolitical influence.

All of this sets up India as a kind of global potential. In this regard, India has taken a number of steps, such as integration into the BRICS group or joining to the IBSA Dialogue Forum (India, Brazil and South Africa). Likewise, the increasingly relevant role of India in the development of South-South Cooperation (which we must not forget emerged from the Bandung Conference, organized by India in 1955) seems to confirm the presence of India in the small group of large global players. But it must not be these trees that hide the rest of the forest: with a per capita GDP rounding 1.400-1.500 USD (2016), an HDI of 0.609 points (even also improving the 2000 of 0.496). With 56% (2014) of population living below the poverty line, an alphabetization index of 62.8% (75.2% male, 50.8% female), and a GINI index rounding 35 points in 2012 (2016, WB Development Indicators Database), there is still a lot of darkness in the Indian giant.

Although the references to India constitute an important part of the whole work, its objective is not so much to deepen knowledge of the Hindu problematic as to reach a functionalist approach to the complex Brexit phenomenon, exploring those opportunities that can be derived from it to third countries, unaware of the upheaval European scenario, as it could be the case of India.

1. Structure and Methodology

The present work is structured in six sections plus this one; in the first one (2), we make an approximation to the Brexit phenomenon complexity, trying to demarcate its basic thematic contents. In the next one (3), we outline the possible economic & trade British strategy, denominated "Global Anglia", under the post-Brexit scenario and, under this one, a section describing the Indian Union aspects, we make an imports-exports description by using the OECD Database. In the third one (4), we focus on the Indian evolution and its development processes, underlining its success, contradictions and future options. In the fourth section (5), we carry out an empirical analysis of the real economic & trade interactions between the UK and India, from the IIT and GVC point of view by using the data and methodology that we describe below. In the last section (6), we proceed to outline our conclusions and reflections about this research.

In our empirical analysis, for a first description of the total and intermediate goods exports, we have used the TiVA Database of OECD. For the IIT an GVC analysis, we have followed the methodology proposed by Sturgeon and Memedovic (2011) in their Working Paper for the United Nations Industrial Development Organization, entitled "Mapping Global Value Chains: Intermediate Goods Trade and Structural Change in the World Economy". By using the WITS Database of the World Bank (WB), we aim to describe the state of IIT and GVCs of intermediate goods among both countries, the UK and India, focusing on the three main sectors: Apparel & Footwear, Electronics and Motor Vehicles.

Using the WB WITS tools, we have aggregated the goods by using the SITC REV.3 classification, using the same codes of 4 and 5 digits provided by the paper used as example. First, we perform a sectorial analysis and then we calculate the Grübel and Lloyd indexes (GLI) so as to get an overview of the intermediate goods trade relationship among the two counterparties. The calculation of the indexes is based on the original Grübel and Lloyd method, using the WITS data described above. The formula is (Grübel and Lloyd, 1975):

$$GLI_{ij}=1-([X_{ij}-M_{ij}]/\ (X_{ij}+M_{ij}))$$
$$i=\text{Product};\ j=\text{Year}\ \ [0 < IGL < 1]$$

The interpretation of GLIs is made by using the scales provided by Giraldo *et al*. (2013). As summarized in table (1).

2. The nature of Brexit

2.1. Iter in Facendo (work in progress)

On the 23rd of June 2016, British citizens expressed over their voting the possibility of leaving the EU, with a result of 51.9% supporting "Yes". The winning of the leave option against the remain one has opened a stage of uncertainty, confusion, and insecurity in the European Union (and even more in the UK).

A time of understandable anguish given the importance of the decision taken and its consequences for the British nation future: on the one hand, there is the divorce, more or less friendly, from the EU and, on the other, the UK reinvention. That is why Brexit could be compared to an asteroid crash, due to the great amount of dust generated, which makes it difficult to see the light, generating a sort of darkness. It is not easy to deal with such a complex phenomenon, uncertain and ambiguous as Brexit.

Why is Brexit so complex? Because, as said before, two simultaneous and interconnected processes converge:

A) The negotiated and approved withdrawal process with the EU, which seems more as luck of divorce3 (including physical, emotional and separation ownership ruptures etc.) whose results and consequences depend on the negotiation terms, which seem very uncertain at the moment.

B) The open process of the UK reinvention (economically, politically and socially) that will be more or less liked but which implies a clear restructuring of the United Kingdom that will allow an easier update of the old British nation to the global world current coordinates. There is no doubt that all this will be a great change for the British population and, in general, for the daily life in the British Isles.

Why is Brexit so uncertain? Given that both phenomena overlap in time and space, divorce and reinvention walk together, so the performance of one conditions

[3] The divorce process incudes six essential elements: (1) the withdrawal negotiation, (2) the future ties with the Union, (3) the temporary period, (4) the WTO joining as an independent member, (5) the negotiation with the 53 members which already had trade agreements with the EU, (6) the negotiation of security and defense policies and also the judicial cooperation with the EU (Marshall, 2016).

the performance of the other and vice versa. This represents an added difficulty in the Brexit process that should be taken into account by Brexit promoters. Divorce & Reinvention are both open processes, of which no one knows for sure how they will end. Therefore, it is as if, with Brexit, the UK was covered by a dense fog that hinders both the Brexit holistic perspective and the Brexit total understanding, generating in this way a great confusion around Brexit where the only certainty is uncertainty.

The preceding paragraphs seem to indicate that the first consideration about the nature of Brexit is that it is an "iter in facendo", that is, a process of uncertain outcome. In other words, a sort of work in progress. Hence, Peter Marshall (2016) considers it a „combination of unknowing".

2.2. Totum Revolutum

The undeniable complexity and ambiguity of the Brexit phenomenon, its open process nature and the difficulty of understanding it have provoked a reactive response from the literature, generating a great profusion of studies and analyses on Brexit. Studies, from different perspectives and positions, have tried to dissect this shocking, heterogeneous and sometimes contradictory mixture of emotions, perceptions, visions, feelings and arguments mixed and remixed by halves. The result was a combination of disparate and heterogeneous elements that configures Brexit as a kind of „totum revolutum" very difficult to understand and explain.

Most of the revised studies (Begg, 2016; Van Reenen, 2016; Obstfeld, 2016; Busch and Matthes, 2016; Froud, 2016; Slater, 2016; Dhingra *et al*., 2016; Holmes *et al*., 2016; Sampson, 2016; Matthijs, 2017) suggest as a common denominator a causal perspective of the Brexit phenomenon, which means it may be regarded as a triggering factor of a series of consequences and effects, more or less positive or negative, depending on the optic used to observe it. The repeated use of the post scenarios methodology, the frequent balances of profit and loss or negative and positive aspects, and the profusion of percentages and calculations due to the open process phenomenon enter directly into the field of conjectures. Definitely, this reiterated ambivalent vision of Brexit, causal, dynamic was but amplified and repeated by mass and social media.

Some of the studies cited above (Dhingra *et al*., 2016; Van Reenen, 2016; Slater, 2016) are referred to as impact evaluation cases. Some of them, in relation to the foreseeable results of the Brexit, introduce gloomy scenarios, highlighting a decreasing trend in UK trade relations and GDP (also decreasing, for the level of well-being of the British population). This agrees to the postulate supported by the study carried out by the HM Treasury (2016), in which the negative scenarios are predominant[4]. Finally, the studies made by international institutions, such as OECD

[4] Particularly this case suggests a circle luck of negative causes that starts from a reduction of weight of British Market, in which employers will reduce costs and investing, that will

or IMF, analyse consequences at the global level, also evaluating trade relations and the temporary issue of renegotiating trade agreements in post Brexit scenarios, and the losses that this could cause[5].

2.3. Telling half-truths?

Looking at the economic chapter, the pro-Brexit postulates put much emphasis on the necessity of confrontation, which they consider as the great UK economic problem: the huge and persistent deficit on Current Account[6] located in a 5.5% of GDP. In this confusing context, emerged after the leaving winning, the current account balance deficit of the UK[7] was considered the main problem of the British Economy which should be faced and corrected.

Due to the fact that the problem is mainly located in the UK trading deficit, and particularly in the increasing trading deficit with the EU, which accounts for a big amount of the total deficit, it will be convenient to minimally analyse the available data. In this sense, Figures 1 and 2 show us something that does not leave doubts about the existence of this problem although it does not wholly explain the causes of this serious decline in British competitiveness.

Particularly, Figure 1 shows us a descriptive panoramic of the evolution of the British Trading Deficit which, back in the 90's, was easy to handle with accounting around EUR 20.000-30.000 Million, finishing that decade, it started to be problematic achieving the barrier of EUR 100.000 Million in 2004 and rounding between EUR 130.000-160.000 Million during the 2006-12 period. A contraction during 2013 is observed when it fell over EUR 100.000 Million, before collapsing over the last three years accounting beyond EUR 200.000 Million in 2016, a worrying condition, because it comes in hand with a strong process of external debt (89% of GDP, 2016) and an increasingly public deficit (2.6% of GDP, 2016) which has pulled the GBP down.

cause a production falling that will generate a decrease of consumption and demand. That will mean that investors became more prudent against funding new projects opening a crisis of confidence in the financial and business environment. That means that risks over British assets should be re-evaluated in financial markets, against the foreseeable increase of the Risk Premium. As a result, this will also generate a devaluation of GBP, a decrease on employment and a likely increase of prices level or inflation.

[5] Including the decrease of productivity, the falling of the housing market or the adjust on payments for deficits on current account of payments balance.

[6] In the British case the balance of current account it is decomposed in an important deficit in the goods basket, a worrying trading deficit, which contrasts with an increase surplus on the services basket.

[7] Funded normally, as the HM Treasury Chief Officer said, due to the "kindness of strangers", that means due to huge volume of foreign investment and other capital flows directed to UK.

As we observe in Figure (2), the main reason of the British trading gap seems to obey the shortfall relationship produced between exports and imports, that came to widen around 2000, opening an export-import balance that was around EUR 100.000 Million before and after 2012, got bigger, reaching EUR 200.000 Million. Although EU imports exceeded exports over the full period, the distance among them was relatively short over the 1999-2011 period, having been estimated at nearly GBP 20.000-30.000 Million, but after that date, the gap increased after a standstill of British exports to the EU, while imports started a climb which finished in 2016, reaching a difference of GBP 82.191 Million, as it can be seen in Figure (3).

Due to the fact that this obstacle occurred simultaneously with the sustained increase of exports to non-EU countries, such as China or India, it seems to become clear, according to Slater (2016), that the British export pattern is changing. Because of that, the debate about possible solutions against this present trade impasse with the EU is still open, Brexit has accentuated the search for new economic options and commercial alternatives beyond the framework of the European Union which, from the Brexit perspective is considered a dead end (Wright, 2016). This implies the urgent need for the United Kingdom to powerfully intensify trade flows and investment towards Asia, North America, Latin America and Africa (Howel, 2016), in other words, a global United Kingdom. This explains the emphasis on resuming and relaunching trade and economic relations with the Commonwealth (CW) and its 55 state members, which was the destination of half of British exports until the middle of the 20th century (Howel, 2016).

Equally, the necessity of boosting trading and financial interactions with China, India and USA (Van Reneen, 2016; Dhingra *et al*., 2016) as well as with the other Asian emerging countries, considered by pro-Brexit postulates as true alternatives to the EU and, in this sense, key players for the UK welfare is emphasized. In fact, the most developed CW members, such as Australia, Canada and New Zeeland have chosen the UK as a destination for their investments. This path is also followed by emerging countries like India, Malaysia or Singapore.

Likewise, from the „Brexiter" perspective, the UK's privileged relationship with the USA is considered of critical importance for the United Kingdom's future. The link between UK-USA has a historical side, determined by a common past (with multiple historical, ethnic and cultural ties) and broad political and ideological similarities (liberal democracy, capitalism, the free market, etc.). On the other hand, the intense British-American financial-commercial relations are based on enormous trade and investment flows.

This historical fact was powerfully encouraged during the 20th century, the alliances over the first and second WWs and the Cold War (Oliver and Williams,

2016) added to the neo-liberal connection, which had been reiterated until this date, between Regan's and Thatcher's governments[8].

Indeed, pro-Brexit lines of thought seem to suggest a global design for the United Kingdom, appearing as the centre of the English-speaking world, claiming that the United Kingdom moves in the coordinates of a kind of „Anglophone sphere", reinforcing ties with the United States, and approaching the emerging large Asian economies (Dassú and Menotti, 2016). From this point, the vision and narrative of "Anglosphere" becomes key in Brexit's conceptual horizon (Kenny and Pearce, 2015). What is this about?; first, this more or less flexible setup will be integrated by a hard core: the denominated "Five Eyes" (which means the UK, Australia, New Zeeland, Canada and the USA), the English-speaking countries, with a common historical past and a shared political and economic culture, fed from the roots by British parliamentary institutions, economic liberalism and Protestantism (Kenny and Pearce, 2015).

The Anglosphere idea which, in economic terms, could be denominated as "Global Anglia", projects a belief that only relationships based on affinity can be durable, which is why the UK should forge in confusion moments a structural framework of relationships and interactions primarily with countries related in cultural, political and ideological terms. In this sense, the book „Britannia Unchained" (2012) (one of the essential texts of "Brexiter" thought) considers that the 21st century (cited as the „Asian century") requires a United Kingdom liberated from the EU and allied with the rest of the Anglosphere (which should extend to India, Hong Kong, Singapore, etc.). Therefore, the United Kingdom, in the coordinates of globalization, must try to maximize its historical capital as an old metropolis, reinventing itself commercially and, in this way, integrate into the new global economy dominated by Asians (Kenny and Pearce, 2016)

The origin of Anglosphere's Vision, an idea of clear liberal matrix, relies on the synergy of post-imperial ideological acerbic, with Anglo-Saxon rooted pragmatism-liberalism currents, that converges in the right wing of the Tories party, who see in the socializing EU a real menace against British liberalism. From this source came proposals for disconnection from the EU and, at the same time, proposals for connection with Asia (in commercial terms) and with other relevant areas of the global world, establishing certain intermediate spaces such as the Commonwealth or the former „domains" (Canada, Australia, New Zealand), to achieve that new balance. The British Right-wing emerges hugely revitalized after Brexit, against that traditional Europeanist scepticism dominant in the British politics scenario.

[8] It is unknown up to which point Brexit should promote a loss of value for the UK as a USA ally, due to the fact that the UK is a financial supporting bridge between the EU and the USA, because of those cited cultural, historical and language affinities. What seems to be clear is that the USA will have to re-set its relationship with the EU after Brexit.

3. Pro-Brexit Scenarios: Contrasting the idea of the Anglosphere and the "Global Anglia" Strategy

Beyond the more or less emotional proposals which have been feeding pro-Brexit approaches (Immigration, rejection of Globalization, frontiers control, British jobs for British workers, tiredness of EU, financial contributions to the Union Budget, etc.) economic problems that seem to launch Brexit are evident: the huge trading deficit as well as the effects of de-industrialization could not have been avoided. It is in search of solutions to those problems where pro-Brexit approaches seem to have encountered support. In this sense, disconnection from the EU could imply, from a pro-Brexit optic, a huge stimulus for the reduction of trading deficit as well as relief of public Budget (which no longer must contribute to the EU maintenance), generation of new trading agreements (without community barriers) could stimulate a new spirit and an awakening of the older industrial Great Britain.

We do not know with certainty to what extent these postulates can be real or have some „reality" or, on the contrary, if they rely on collective dreams; what seems to be clear for determinate pro-Brexit sequences (Kenny and Pearce, 2016; Wright, 2016; Howell, 2016; Dassù and Menotti, 2016) is that the alternative option (and most reiterated) to the EU status-quo, would be a "dual" strategy: on the one hand, to reinforce the interactions with the USA (Dassù and Menotti, 2016) and, on the other, to forge an Anglo-Saxon global space, the more or less romantic idea of the Anglosphere and its economic translation, which we have called „Global-Anglia zone".

Complementing this dual approach, an intensive approach in economic-trade-financial matters is sought with India, Hong Kong, Malaysia, Singapore, etc. (Howell, 2016). This is intended, on the one hand, to have a significant presence in the world economic hub of the 21st century and, on the other, to be close to the big Asian players of the global economy such as China or South Korea.

In present terms, the reality of the British current trading pattern does not seem to fit pro-Brexit approaches, as it may be seen in the data provided by Table (2), where we observe a polarized trading pattern to the EU partners' interchanges, particularly to Germany which, in 2016, represented the 10.92% of total British exports and 13.81% of imports, respectively. As a whole, the EU partners' interactions valued 45.11% of the exports and 47.60% of the imports for British companies, thus emphasizing a dense, consistent and dynamic spectrum of interactions, extremely difficult to break up from or substitute immediately.

A clear sample of the dense economic interactions between the UK and the EU, from the perspective of intra-industry trade, is shown in Figure (4). As it can be seen, there are indications of high levels of commercial interaction in intermediate goods in the three productive segments under analysis (and in the value chains derived from these): Apparel and Footwear (GLIA&F), Electronics (GLIE) and Motor Vehicles (GLIV). In the case of the first two, the Grübel-Lloyd index is above

0.9, very close to the maximum level, which shows a great trading integration between the UK and the EU. In the case of motor vehicles, the tendency is to decline IIT, falling from 0.95 at the beginning of the time series (1988-1992) to stand at 0.52 in 2016, since the vehicle sector is very significant within British exports; it is understood that there could be a direct (or at least significant) correlation between the impasse of British exports to the EU from 2011 onwards and the fall of IIT in parts and components of vehicles that accelerate in the same period as Figure (4) explains.

Additionally, it may be noticed the strength of trading links with the USA, mainly in exports which accounts for 15.21% of the total, while imports reach 9.45% of total imports (See Table 2). Looking at those figures, the enormous relevance granted to the pro-Brexit postulates relating to USA does not seem weird. In fact, it is one of the few cases of a clear British surplus and, therefore, of a positive result in the British trade balance account (as well as in the cases of Ireland, Saudi Arabia and the Emirates).

As in the case of the EU, the perspective of IIT sheds a lot of light on the density of the UK-USA trade interactions. As we can see in Figure (5), the integration through shared value chains between both economies is very high, even higher than in the European case. All analysed segments (Motor Vehicles, Apparel & Footwear and Electronics) reach Grübel-Lloyd values close to one, the maximum value, which indicates high levels of IIT, an increasing integration between both economies and, possibly, a future of greater economic integration between both Atlantic economies.

As regards interactions with the „Anglosphere", its links with the UK have been constant and continued during the last decades, but the volume of existing trade does not imply in any case the magnitude or the dimension that they had in the middle of the 19th century, when trade interactions accounted for 50% of British exports. At the moment, the most powerful group of Commonwealth members only accounts for 8.33% of British exports and 8.21% of their imports. These figures certainly do not seem to configure the „Anglosphere" as an alternative framework of trade relationships to the current British trading pattern linked to the EU. However, unlike other groups of countries, where the deficit bias seems to be eternal for the UK, inside the "Anglosphere" some cases of trading surpluses (Hong Kong, Singapore, Australia, Malaysia etc.) may be observed, which could lead to thinking of future, more promising scenarios for British trade.

Probably, pro-Brexit approaches visualize a potential combination of countries grouped in Table (2) as "Global Anglia" (including USA), which seems to notably reinforce the alternative hypothesis, by reaching percentages next to 25% on the exports side. But at the same time, such favourable expectations seem to have a dark side since, in any case, the strengthening of trade interactions with the countries of global Anglia will take a long time, so the reduction of trade with the EU will have to be progressive and gradual, otherwise the United Kingdom could confront shortage problems.

To conclude, the relationships with the block denominated as "other countries" summarizes the British trading interactions with the great protagonists of globalization: the emerging BRICS group (China, Russia, Brazil, Turkey), The Asian ASEAN countries, the Persian Gulf countries and, finally Norway and Switzerland, European countries that have a special link with the UK, foreseeably destined to intensify in an immediate future. Also, in this recessionary period for British trade, the petro-monarchies of the Persian Gulf (Saudi Arabia, Emirates, Qatar) whose trade balance accounts present significant surpluses for the UK, seem to be strategic for the pro-Brexit postulates (in terms of deficit compensation). Likewise, the density and intensity of relations with ASEAN countries, even though deficient (particularly with China), highlights the importance of relations with the Far East. In contrast, trade relations appear balanced with Brazil, Russia and Turkey. In this sense, a depreciating GBP (element that the Brexit seems to assure) could accelerate commercial flows with this group of countries without having serious negative imbalances. Due to this, if there are growth expectations in pro-Brexit postulates it should have its roots here.

4. The Indian Union and the asymmetrical development

If we wanted to summarize in a word the political, social and economic results of India seven decades after its independence, the chosen words should probably be „contradiction", „inequality" or „asymmetry". This seems to be the reality of the fascinating Indian conglomerate in all fields. Undoubtedly, the „world's largest democracy" owes a lot to its biological parents, who knew how to generate that cultural, economic and scientific basement, which was filled with democratic pluralism and recognition of the „other".

Without that substrate of ancient wisdom, the India of 1948 could hardly have become the current emerging power that it is today. The mixed economy plans proposed by the founders of the country, in particular by the Pandit Jawaharlal Nehru, play a very significant role in the foundations of current India. In them, the state plays a central interventionist-protectionist role[9], through a planning system,

[9] Oriented, on one side, towards economic planning, delegating in the denominated "Planning Commission", of unequivocal socializing bias, which elaborated "5 Years Plans" oriented to the empowerment of the public sector, searching the fast industrialization of the country promoting the "imports substitution". Public Investment was focused on the creation of base and infrastructure industries. On the other side, it was oriented to control economic activities through Licenses and every type of control along private economic activities, denominated "License Raj", building an excessive bureaucratic system where everything has to pass through the state's hands and their staff, as well as administrative barriers as corruption are on a daily basis.

gradually dismantled after the liberal-oriented economic policy reforms[10] were adopted in the 1990s and which continue to this day. Policies which have fostered notorious economic growth and which have also promoted the accumulation of wealth and its concentration, generating enormous inequality at the territorial[11], urban-rural and social levels (Leroy, 2012). This amazing (in terms of dimension and manifestations) economic rise of India is also filled with plenty of contradictions, because it has a lot to do with the huge expansion and development of services based on Information and Communication Technologies (ICT), and its derived activities (Software, BPO, Back-Office, KPO etc.), fields where India has become a world undisputed leader[12]. Growing annually for more than 10%, the Technology Based third sector has reached more than half of GDP during the 1980s and 1990s, becoming the engine sector of Indian economic growth, passing over the industrialization stage differently from western Economies.

The peculiar third sector of the Indian economy also has a lot to do with the „cultural-scientific pragmatism", typical of Prime Minister Pandit Jawaharlal Nehru's thinking[13]: computer-based services do not need huge infrastructures or equipment for development [14], but they need qualified personnel, ready to work and continue learning. In this sense, the role played by "Indian Institutes of Technology", particularly, and generally by the Indian Academic institutions results amazing in the generation of those "engineers' army" who have been highly involved in the Indian economic progress.

[10] Sustained on free markets, competitiveness, business promotion, economic deregulation and a progressive openness to the external sector.

[11] Extreme inequalities in growth rates among Northwest and South States. Northwest comprises Bihar, Madhya Pradesh and Orissa, characterized by high poverty rates and low growth. In contrast the southern states: Karnataka, Tamil Nadu and West: Maharashtra, Gujarat and Punjab which are rising.

[12] The ICT segments and also the BPO are among those which have experienced a faster growing and which, in 2015, constituted around 75% of the commercial services exports (2016, WB World Development Indicators Database). It is also considered one of the biggest employment generators, especially for Young graduates. It is estimated that more than 1.3 million persons were employed in this sector in the period 2005-2010.

[13] The existence and availability of a lot of highly skilled and qualified graduated workers, speaking fluent English (a British colonial legacy), but at low wage costs (the average salaries for a qualified worker is 141€/month and 566€ for directive positions), this has result on a fundamental factor in de-localization processes of western MNC's in India. But not only low wages, but also workforce quality is significantly higher than in other emerging countries. Moreover, the strict intellectual property & patents protection regulations, similar to the western ones and different from China generated a framework of low transaction costs and institutional security which have encouraged this process.

[14] In a country where electric energy costs are 0.067€/Kwh, the growing presence of a lot of MNC's (IBM, Intel, Microsoft, Google, Fiat, Piaggio, Nokia, etc.) is not strange. In fact, more than the 33% of software development activities of the USA are made in India.

However, in spite of its huge dimension, the "Indian Software Revolution" has not changed the Indian economic structure: despite the huge advances registered in the 1960-2004 period, the percentage of employment in agriculture has only fallen by 10%, from 71.5% to 61.5% (Ahsan and Mitra, 2013). This assumes that the vast majority of India is not involved in these revolutionary technological processes, phenomena directed mainly at the urban middle classes. Likewise, the ICT revolution has taken place in specific, concrete and „modernized" places such as Bangalore. This does not diminish its incredible performance. Simply, the technological revolution is hexogeneous for the vast majority of the population.

Given that the activities of the highly productive IT segments and relatively skill-intensive sectors, work primarily with human capital, then despite their success, they have been unable to incorporate the vast majority of the Hindu workforce, little or not at all qualified (McMillan *et al*., 2017, p. 14) into their production processes, so its impact in terms of "structural change" is of little significance. Therefore, only an industrialization oriented on labour-intensive processes could resolve the problem of "the Two Indies": on the one side, the "brilliant" India, technological and avant-garde, urban, sophisticated, of mid-high class, based on a rich human capital of higher educational levels; on the other side, we find the dark India, peasant-dominated, undeveloped, rural, pour, illiterate or poorly skilled, ancestral and segmented in castes, which only tries to subsist and reach tomorrow. We do not know the extent to which it is feasible to achieve the emergence of that „dark India" which will imply, as a „sine qua non condition", a previous acceleration in the accumulation of fundamental skills and capabilities (education, infrastructures and governance) as a whole of the Indian Economy (McMillan and Rodrik, 2011).

Agriculture remains the great "resist" subject of Indian Economy, its backwardness has become even more evident with the take-off of the rest of economic sectors, which have concentrated all (or almost all) public investment. The shipwreck of the Indian agro-sector, besides being an economic, is also a huge social problem due to the fact that it only accounts for around 20% of the GDP but it employs more than the 50% of the workforce. From there came movements of different flags, pacifist or violent[15] which, in one form or another, reclaim an agrarian reform, land rights, and an improvement of life conditions and welfare of the rural population, abandoned on his own luck, as a majority perception.

5. IIT and GVCs' analysis between the UK & India

For the analysed exports period, as seen in Figure (6), we have found that both Total and Intermediate Goods exports have been growing all the series, registering low decreases in the 2008-2009 period in the UK to India Exports, probably due to

[15] Form of acting of the denominated "naxalites", marginalized peasants linked to the Maoist warfare.

the international financial crisis, then, in the years 2011-2012, there was another decline and, after 2013, there was a drop, though slighter for the Indian intermediate goods exported to the UK. This gives us a foresight about the possible trading potential between both countries.

Intermediate goods exports, related to the three main sectors of GVCs from the UK to India have been stable in Apparel & Footwear; in Electronics, it has been growing until 2009 and has been, since then, experiencing a huge decline up to more than half of its value. In the Vehicles segment, the trend has been generally increased, but with three periods of decreases (2008-2009, 2011-2012, 2013-2014). In this scenario, we have seen a huge IIT potential for the Vehicles segment, and a possibility of GVCs' development. In the Electronics sector, there should be a deeper analysis to determine the causes of such a great decline, as observed in Figure (7).

By contrast, as seen in Figure (8), imports of intermediate goods from India to the UK in apparel & footwear were growing until mid-1990s, falling down sharply afterwards to reach the levels of the 1980s nowadays. In Electronics, the trend has been slightly upward with a small decline during 2004-2013. In the Vehicles sector, during 2003-2008, the trend has been growth, having a drop afterwards, probably due to the financial crisis, but finally recovering. Again, we see the leadership in GVCs shown by the Vehicles segment and the potential for its development of IIT among both countries.

For the Grübel & Lloyd Index, looking at Figure (9), in the case of these two countries, in Apparel & Footwear (IGLA&F), relations seem to be "Inter-Industry", while in the Electronics one (IGLE), there is a possible potential IIT, the Vehicles segment (IGLV) has clear sings of IIT (Using the interpretations level provided in Table 1.

To summarize, we see the potential between the UK and India in the intermediate goods trade, even more in the Electronics sector, and the sings in the Vehicles one of IIT, which determines a possible GVCs' development between both countries' companies. Apparel & Footwear is declining, maybe due to its relocation to other countries, such as China, Bangladesh or Thailand.

Conclusions

Brexit appears as a complex phenomenon, with a mixture of different dimensions (political, economic, emotional…). Under all these, the economic one seems to be one of the most relevant due to the fact that one of the Brexit engines is the idea that the UK, without charges and links derived from its EU membership, could significantly improve its economic performance, trading with global world without restrictions, particularly with countries included in the so called *Anglosphere* (in its economic dimension known as *Global Anglia*), an area which includes, besides the traditional Anglo-Saxon Commonwealth countries (Canada, Australia, New Zealand, etc.), the USA and India, using the enclaves of Hong-Kong and Singapore as bridges to Global Asian Power Players.

In the previous scheme, India appears as one of the fundamental partners in a future economic-trading scenario for the UK due to its potential (economic, demographic) and particularly due to its strong link to the UK, derived from its previous colonial relationship (Commonwealth, language, culture, among others).

The empirical analysis demonstrates the potential of IIT and GVCs' relationships for both countries, especially in the Vehicles and Electronics segments, not dismissing the Apparel & Footwear one, which is a classic in India. Moreover, if we keep in mind the focus of India on the ICT segment which, in the next years, could be affected by the "Demographic Dividend" and the inability of the sector to absorb all the workforce that the demographic boom will generate, "bottle necks" will probably appear, as Sharma (2013) and Taylor *et al*. (2014) suggest. Perhaps an IIT and GVCs focus could be an opportunity to diversify the Indian economic spectrum and to fight against these bottle necks.

In this sense, for India, Brexit could be a great opportunity if, through large trade agreements, the configuration of sustainable GVCs between countries and companies, Indian and British, was achieved, sharing the added value in order to generate: jobs, wealth, well-being and development in both countries within a commercial framework of greater stability. The said framework should include from commercial policies favouring free trade (dismantling of trade barriers, elimination of tariffs, creation of special economic zones, etc.) with policies of incentives for the accumulation of human capital (through the use and improvement of the educational framework and the existing knowledge in India, and experience previously used in the ICT sector), technology development policies (technology parks, etc.) and export tax reduction policies.

Despite its prominent contradictions on India, Brexit (instrumented over an FTA with the UK) could be a certain stimulus for its economic development process, particularly for the expansion of its incipient industrial sector, and for reinforcing and consolidating the ITC services.

As regards the Idea-Vision of the *Anglosphere*, we do not know up to which point this approach has any sign of reality or whether it is simply a political projection. On one side, as we have verified, the current links between the UK, Anglosphere countries (including India) and big players are a real thing (and probably of a bright future); however, on the other side, we have found that it is not yet so significant except for the USA's case. Therefore, *Anglosphere* seems to be more of a promise (of a shining future) than a true economic and trading alternative to the European Union. A sort of Promised Land but one that still needs to be "forged" and which implies quite a lot of time.

In any case, what does not seem to be plausible is that the intensifying of trading relationships between the UK, Anglosphere countries, Big players and

Emerging countries could, on the short term, substitute the dense trading links existing between the UK and the EU.

Therefore, in pro-Brexit approaches, a very significant background contradiction appears. This deep contradiction means that, on certain occasions, Brexit seems like an improvised flight forward rather than a structured plan for the future of the United Kingdom. If voluntarism is the great engine of Brexit, it could lead to massive frustration, a very dangerous horizon for one of the world’s first economies.

Therefore, our first and main recommendation would be to rethink Brexit, not because it cannot be carried out (if this is the decision of the British people, which should be, in any case, respected) but done in terms of prudence, wisdom and common sense... the least common of senses. This recommendation, very significant in our opinion, should be kept in mind at the time of EU disconnecting negotiations especially due to British interests.

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ANNEXES

Table 1. Interpretations of the Grübel Lloyd Index.

Level	IGL Range	Interpretation
1	IGL > 0.333	Sings of IIT.
2	0.10 < IGL < 0.333	Potential IIT.
3	IGL < 0.10	Inter-Industry Trade Relations.

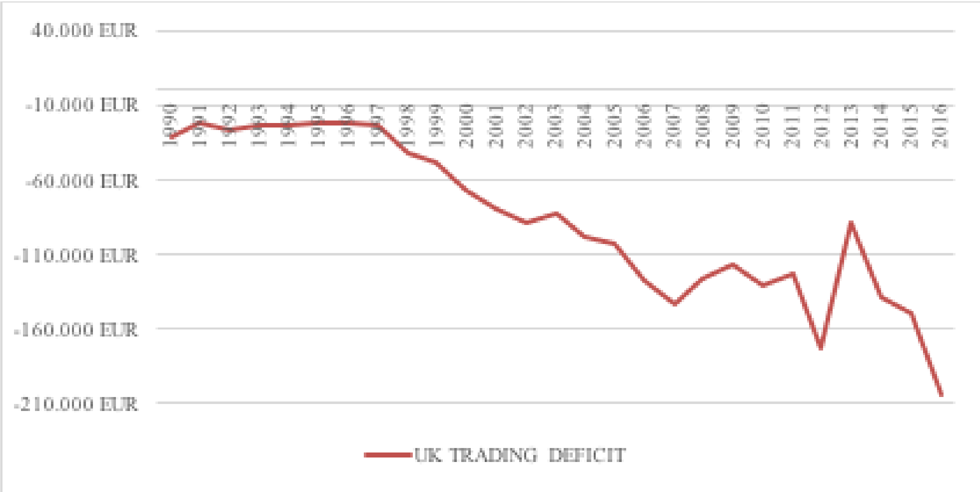
Source: Giraldo *et al*. (2013).

Table 2. UK 2016 Trading Patterns.

(EU)	**EXP UK**	**IMP from**	**GLOBAL ANGLIA (GLAN)**	**EXP**	**IMP**	**OTHERS**	**EXP UK**	**IMP from**
GER	10.9%	13.8%	**CAN**	1.54%	2.18%	**CHE**	4.79%	4.53%
FRA	6.54%	5.31%	**ZAF**	0.66%	1.54%	**NOR**	1.02%	2.79%
NLD	6.37%	7.41%	**IND**	1.09%	1.30%	**TUR**	1.51%	1.91%
IRL	5.71%	2.82%	**HKG**	2.21%	1.23%	**RUS**	0.85%	0.89%
BEL	3.92%	5.04%	**AUS**	1.30%	1.15%	**BRA**	0.63%	0.52%
ITA	3.27%	3.72%	**MAL**	0.43%	0.81%	**CHN**	4.49%	9.41%
SPA	3.25%	3.46%	**SIN**	1.53%	0.27%	**JAP**	1.58%	1.98%
SWE	1.54%	1.36%	**NZL**	0.23%	0.18%	**KOR**	1.46%	0.97%
POL	1.42%	1.97%	**TOTAL GLAN**	**8.3%**	**8.2%**	**TWN**	0.38%	0.72%
DEN	0.84%	0.85%	**US**	15.1%	9.4%	**VNM**	0.16%	1.09%
CZE	0.72%	1.16%				**ARE**	2.24%	0.26%
AUT	0.61%	0.69%				**SAU**	1.45%	0.26%
HUN	0.46%	0.58%				**QAT**	0.62%	0.28%
POR	0.48%	0.58%						
TOT UE	**45.1%**	**47.6%**	**T. GLAN+US**	**23.4%**	**17.6%**	**TOTAL**	**14.83%**	**24.29%**

Source: Authors' Calculations using OECD data (2017).

Figure 1. Evolution of British Trading Deficit (Thousands of Million EUR)

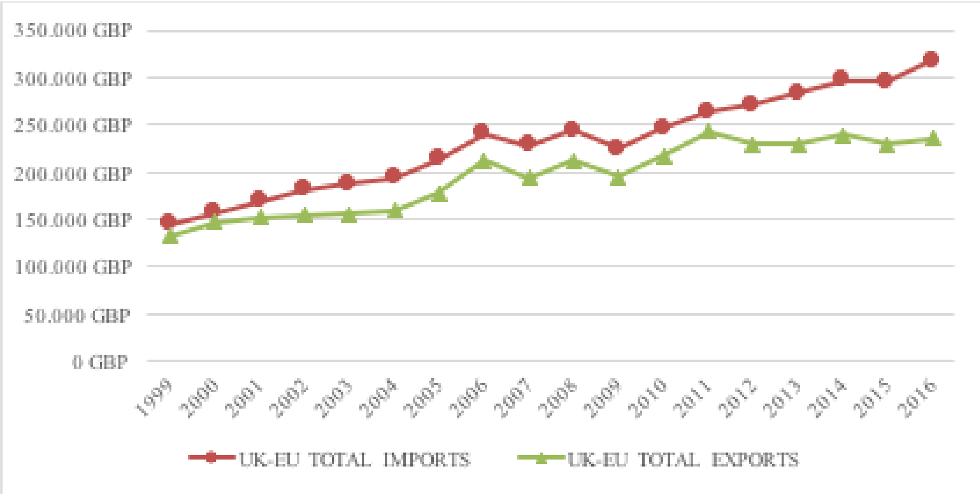


Source: Authors' calculations using data available at Eurostat (2016).

Figure 2. UK Exports Vs Imports (Thousands of EUR Millions) (1990-2016)

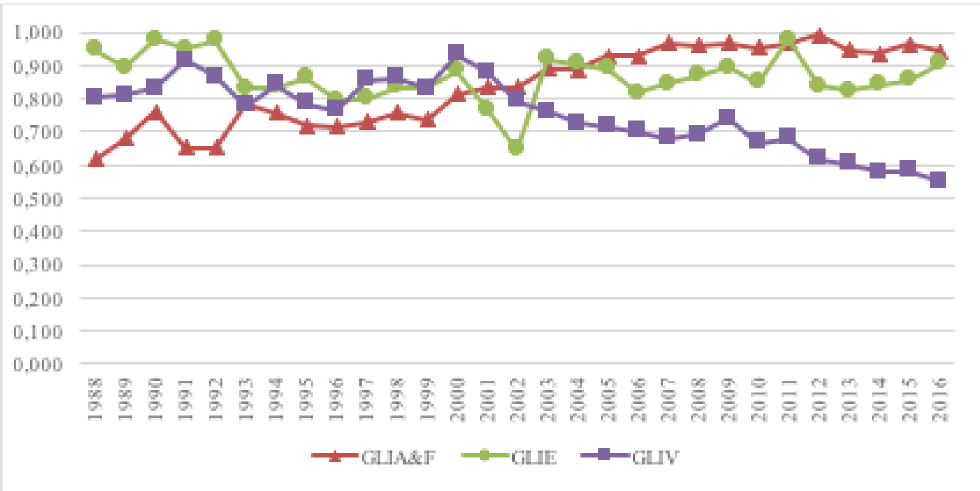
Source: Authors' calculations using data available at Eurostat (2016).

Figure 3. UK-EU Imports Vs Exports (Thousands of GBP Millions) (1999-2016)



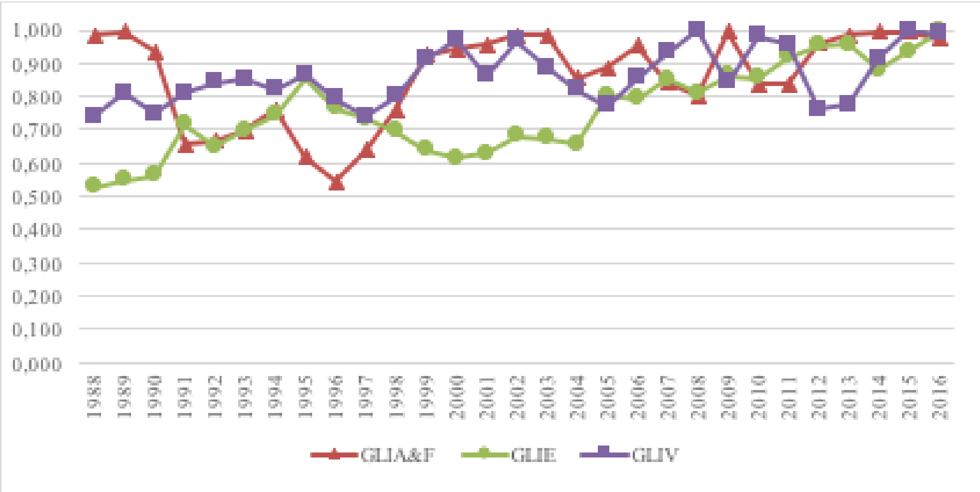
Source: Authors' calculations using data available at Office for National Statistics (2017).

Figure 4. UK-EU Intermediate Goods Grübel Lloyd Index (1989-2016)



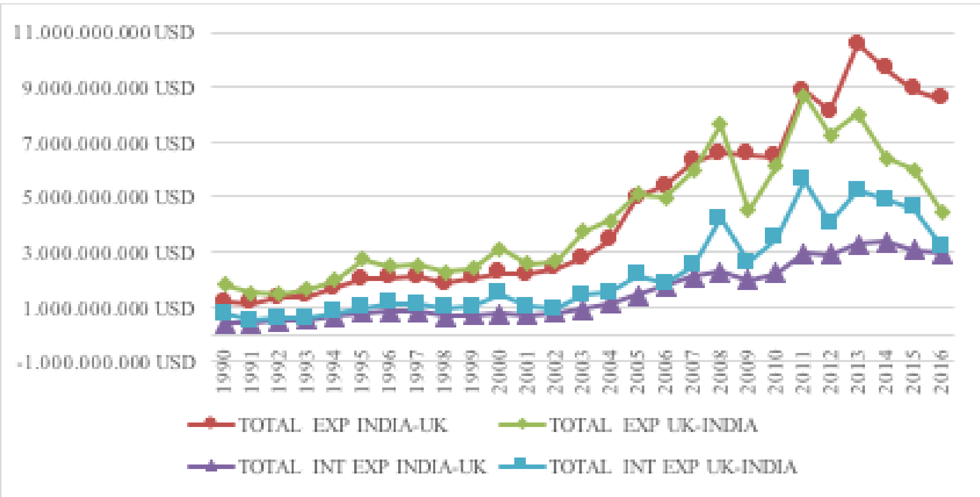
Source: Authors' Calculations using WITS data (2017).

Figure 5. UK-USA Intermediate Goods Grübel Lloyd Index (1989-2016)



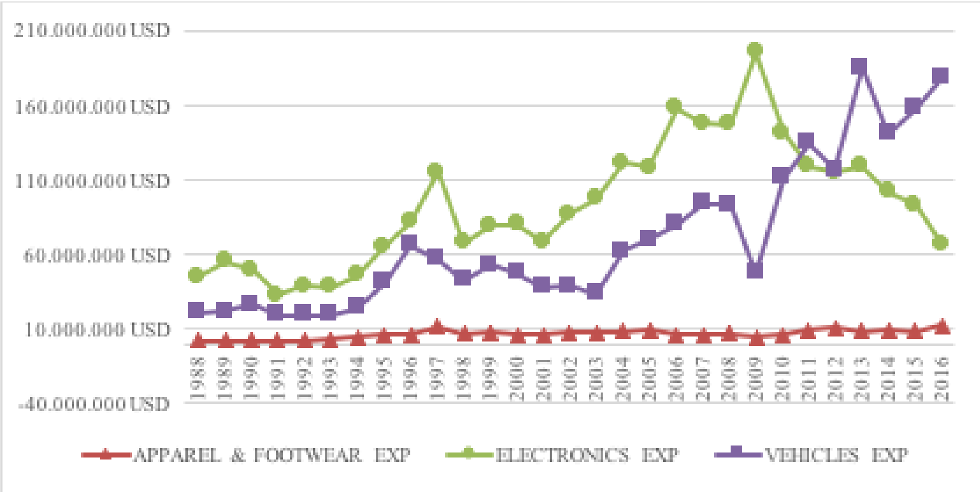
Source: Authors' calculations using WITS data (2017).

Figure 6. India-UK & UK-India Total Exports & Intermediate Goods Exports



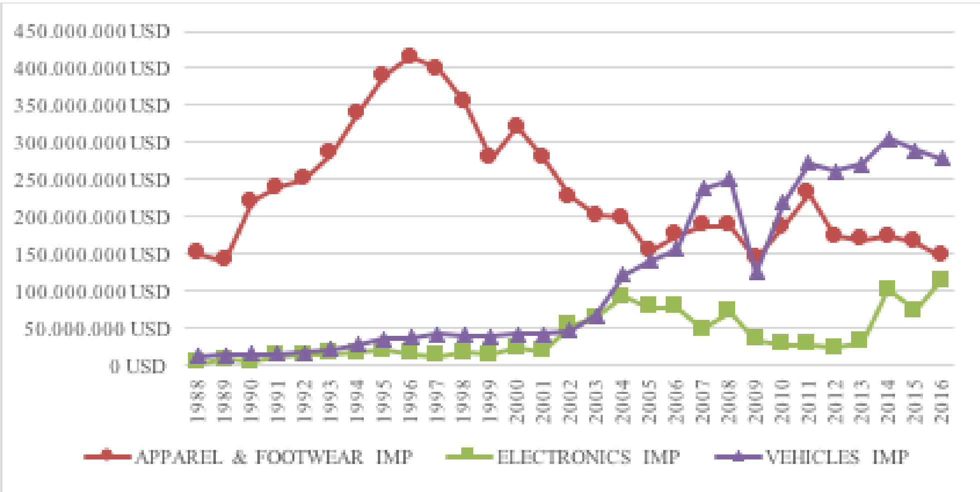
Source: Authors' calculations through TiVA (2017).

Figure 7. GVC Exports UK-India



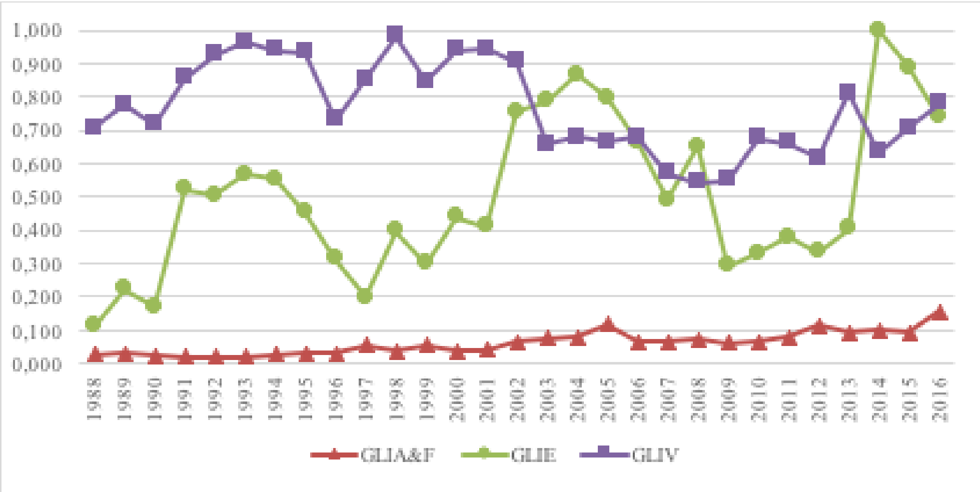
Source: Authors calculations using WITS data (2017).

Figure 8. GVC Imports UK-India



Source: Authors' calculations using WITS data (2017).

Figure 9. UK-India GVC's Intermediate Goods Grübel Lloyd Index.



Source: Authors' calculations using WITS data (2017).