

INDIA-UK TRADE RELATION

NEWS: India-UK free trade agreement -- all you need to know

WHAT'S IN THE NEWS?

India and the UK have signed a landmark Free Trade Agreement (FTA) granting zero-duty access to 99% of Indian exports and easing tariffs on UK goods, aiming to boost bilateral trade and investments. The deal strengthens strategic ties, enhances market access for key sectors, and facilitates professional mobility between both nations.

Introduction: A Landmark Trade Deal

- India and the United Kingdom have signed a **historic Free Trade Agreement (FTA)**, marking India's **16th FTA** and a major leap in bilateral trade cooperation.
- The deal grants **zero-duty access to 99% of Indian exports** and significantly reduces import tariffs, creating **new opportunities** for Indian businesses and attracting **strategic investments**.

What is a Free Trade Agreement (FTA)?

- An FTA is a **bilateral or multilateral agreement** between countries to reduce or eliminate **customs duties and non-tariff barriers** on traded goods and services.
- It facilitates:
 - **Zero-duty or reduced-duty access** to each other's markets.
 - **Simplified regulatory procedures** and greater investment ease.
 - Enhanced **competitiveness of domestic exporters** by giving preferential access compared to non-FTA countries.
 - Boost to **foreign direct investment (FDI)** and **domestic manufacturing**.

India's FTA Landscape

- India has signed FTAs with:
 - Neighbours: **Sri Lanka, Bhutan**
 - ASEAN Nations: **Thailand, Singapore, Malaysia**
 - East Asia: **Korea, Japan**
 - West: **Australia, UAE, Mauritius**

- Multilateral blocs: **ASEAN (10 nations), EFTA (Iceland, Liechtenstein, Norway, Switzerland)**
- Now added: **United Kingdom**

Key Highlights of the India–UK FTA

1. Tariff and Market Access Benefits

- **99% of Indian exports** to the UK will receive **duty-free access**, covering nearly **100% of trade value**.
- India will cut tariffs on **90% of UK products**, with **85% becoming fully tariff-free within 10 years**.
- **Automotive import tariffs** to reduce from **over 100% to 10%** under a **quota system**.
- **Whisky and gin tariffs** will be halved from **150% to 75%**, then gradually cut to **40% over 10 years**.

2. Services and Labour Mobility

- The UK has committed to **open its services market** to Indian professionals in:
 - **IT and IT-enabled Services (ITeS)**
 - **Financial and legal services**
 - **Education and consulting**
- Indian professionals such as **contractual service suppliers, chefs, yoga instructors, musicians, and business visitors** will find it easier to work in the UK.
- **Double Contribution Convention:**
 - Indian workers in the UK (temporarily) will be **exempt from paying social security** for up to **three years**, reducing cost for both employer and employee.

3. Sectoral Gains for India

- **Labour-intensive sectors** will be major beneficiaries:
 - **Textiles and apparel:** Knitwear exports to UK projected to rise from **9% to 20%** of total textile exports.
 - **Leather and footwear**
 - **Gems and jewellery**
 - **Pharmaceuticals**

- **Agriculture and processed food**
- UK tariff reductions on **whisky, lamb, medical devices, chocolate, salmon, biscuits,** and **advanced machinery** will lower **input costs** for Indian industries.

Strategic and Economic Significance

1. Strengthening Bilateral Economic Partnership

- Aims to increase bilateral trade to **USD 100 billion by 2030**.
- Enhances strategic economic alignment between the **5th (India)** and **6th (UK)** largest global economies.
- Offers **economic certainty and stability** amidst global trade tensions and protectionist trends.

2. Boosting Economic Efficiency and Competitiveness

- Indian businesses benefit from **lower input costs** due to cheaper imports of:
 - Cosmetics, aerospace components, medical and diagnostic tools, and electrical machinery.

- Encourages **technology transfer** and development of **high-value supply chains** in FMCG and high-tech sectors.

MAJOR GAINS FOR INDIANS

- Agreement allows Indian workers to travel to the UK for work without changing Britain's point-based immigration system

- Pact has eased mobility for professionals including contractual service suppliers; business visitors; investors; intra-corporate transferees; partners and dependent children of intra-corporate transferees with right to work

- Taxes on export of Indian clothing, frozen prawns, jewellery and gems will be cut



- Tariffs on automotive imports will go from over 100% to 10 per cent under quotas on both sides

- Indian goods that will enter the UK at zero duty include minerals, chemicals, gems and jewellery, plastic, rubber, wood, paper, textile, clothing, glass, ceramic, base metals, mechanical and electrical machinery, arms/ammunition, transport/auto, furniture, sports goods, animal products, and processed food

3. Promoting Make in India and Domestic Manufacturing

- Preferential trade access and investment opportunities support:
 - **Domestic production expansion**
 - **Job creation**
 - **Export diversification**

Institutional Benefits and Future Pathways

- The agreement supports India's **vision for Atmanirbhar Bharat** by:
 - Boosting **self-reliant manufacturing**
 - Attracting **foreign investments** into Indian sectors
- Facilitates **greater regulatory cooperation**, smoother customs processes, and **technical assistance**.
- Expected to serve as a **model FTA** with provisions that blend **trade liberalisation** with **worker mobility and services integration**.

Conclusion: A Bridge to Shared Prosperity

- The **India–UK FTA** is more than a trade pact—it is a **strategic bridge** for economic, cultural, and diplomatic collaboration.
- As protectionism rises globally, this agreement provides a **stable, rules-based trade framework**.
- It holds the promise of **transforming bilateral trade**, **strengthening global value chains**, and empowering **India's export-led growth**.

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