



DAILY EDITORIAL ANALYSIS

TOPIC

**INDIA & UK FTA: INDIA'S MATURING
GLOBAL PRESENCE**

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Context

- The **India-UK Free Trade Agreement (FTA)** marks a significant milestone in India's global trade strategy, signaling its transition from a cost-driven export economy to a value-creating powerhouse.

Key Points in the India-UK FTA

- Zero-Duty Access for Indian Exports:** The deal eliminates import tariffs on over 99.3% of animal products, 99.8% of vegetable/oil products, and 99.7% of processed foods, making Indian goods more competitive in the UK market.
- Expanding Trade Partnership:** The UK currently imports goods worth \$815.5 billion, primarily from China (12%), the US (11%), and Germany (9%).
 - India holds about **1.8% share (\$15.3 billion) in UK imports**, ranking as the UK's 12th largest trading partner.
- India-UK Trade Goals for 2030:** As of 2024, India-UK trade in goods amounted to \$23.3 billion, with \$8.06 billion in UK exports to India.
 - The FTA sets an ambitious target of reaching \$120 billion in trade by 2030.
 - UK Export From India:** Pearls, nuclear reactors, spirits, and vehicles.
 - UK Import From India:** Machinery, mineral fuels, pharmaceuticals, apparel, and footwear.
- Strategic Trade Partnerships:** The agreement strengthens the **India-UK Comprehensive Strategic Partnership**, fostering trade, investment, innovation, and job creation.
 - India is negotiating FTAs with the EU and the US, targeting duty-free access to high-value markets.

India-UK FTA: Transformative Milestone for Indian Industry

- Levelling the Playing Field for Indian Exporters:** Indian exporters in sectors like **textiles, apparel, leather, marine products, and toys** have long faced tariff disadvantages in the UK.
 - The FTA eliminates this gap by offering **zero-duty access for nearly 99% of Indian tariff lines**, aligning India with competitors from the **EU, CPTPP, and countries like Bangladesh**.
- Strategic Market Access Without Sacrificing Autonomy:** India's approach to the FTA has been **calibrated and protective**. It allows duty-free access to **85% of UK goods over 10 years**.
 - It ensures that **'Make in India'** and **employment-intensive sectors** remain protected.
- Unlocking the Services Sector Potential:**
 - Greater market access** for **IT, telecom, education, and financial services**.
 - Ease of professional mobility**, especially through:
 - Recognition of qualifications** for Indian professionals (architects, engineers, accountants, etc.)
 - Double Contribution Convention:** Exempts Indian professionals from UK social security payments on short-term assignments.
 - It is a **game-changer** for India's knowledge-driven exports, enhancing both **competitiveness and mobility**.
- Deepening Bilateral Cooperation:** It paves the way for **value chain innovation** with global aspirations, with the UK's strengths in **design and advanced manufacturing**, and India's scale and talent. It includes:
 - Investment & joint R&D
 - Technology transfer & co-manufacturing
 - Intellectual Property (IP) creation
- Embedding Ethical and Sustainable Trade:** For the **first time in an Indian FTA**, topics like *Labour rights, Environmental protection, Consumer welfare, Gender equity, Anti-corruption* are covered, signaling India's **maturing economic identity**, aligning trade with **global values of transparency, sustainability, and inclusivity**.

- **Strategic Imperatives for Indian Businesses:**

- ♦ **Develop UK-specific market strategies** rooted in consumer insights and localisation.
- ♦ **Invest in certifications, ESG compliance, and product innovation.**
- ♦ **Reskill talent**, especially in areas like finance, legal, logistics, and marketing.
- ♦ Form **joint ventures and innovation partnerships** with UK firms.
- ♦ Build **feedback loops** from UK market performance to refine offerings.

Challenges & Concerns

- **Protection of Sensitive Sectors:** India has excluded tariff reductions for sensitive agricultural products like dairy, apples, cheese, oats, and vegetable oils.
 - ♦ Industrial goods such as plastics, diamonds, smartphones, and optical fibers remain protected to safeguard domestic industries.
- **Regulatory & Compliance Issues:** The agreement includes provisions on digital trade, intellectual property, labor, and environmental standards, requiring policy adjustments and compliance measures.
 - ♦ Businesses will need to adapt to new trade regulations and streamline customs procedures.
- **Long-Term Trade Balance & Economic Impact:** While India enjoys a positive trade balance with the UK, concerns remain about whether the FTA will sustain this advantage in the long run.
 - ♦ The impact on **small and medium enterprises (SMEs)** and domestic manufacturers will need careful monitoring.
- **Impact on Domestic Industries:** While the FTA opens new opportunities, Indian manufacturers may face increased competition from UK imports, particularly in automobiles and medical devices.

Looking Ahead

- The India-UK FTA supports India's **Viksit Bharat** vision by pushing Indian businesses up the **global value chain**, creating employment, and enhancing competitiveness.
 - ♦ It represents a strategic step forward, balancing economic growth with domestic industry protection.
- As India navigates its evolving global trade role, effective implementation and policy safeguards will be crucial in ensuring long-term success.

Source: IE

Mains Practice Question

[Q] How does the India-UK FTA reflect India's evolving role in global trade, and what challenges might India face as it positions itself as a leader in international economic growth?

