



DAILY EDITORIAL ANALYSIS

TOPIC

**ON INDIA-UNITED KINGDOM
COMPREHENSIVE ECONOMIC AND
TRADE AGREEMENT**

www.nextias.com

ON INDIA-UNITED KINGDOM COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

In Context

- India and the United Kingdom signed the **Comprehensive Economic and Trade Agreement (CETA)**, marking a watershed moment in bilateral relations and economic diplomacy. CETA emerges as **India's first free trade pact with a G7 nation** and the UK's most ambitious trade agreement outside Europe.

Key Dimensions of the Agreement

- Trade in Goods:**
 - Tariff Elimination:** CETA removes tariffs on 99% of Indian exports to the UK, spanning textiles, gems and jewellery, marine products, leather, sports goods, toys, auto parts, and more. UK tariffs for Indian goods, previously averaging 15%, will drop to 3%, while India will eliminate or reduce tariffs on 90% of UK products, with critical exclusions for sensitive agricultural items.
- Trade in Services & Professional Mobility:**
 - Greater Market Access:** The pact expands opportunities in IT and IT-enabled services, financial/legal services, edutech, and digital trade.
 - Labour Mobility:** The Double Contribution Convention (DCC) exempts Indian professionals and their employers from UK social security payments for up to three years, boosting Indian talent competitiveness.
 - Simplified Visas:** Eased norms and more liberal entry for professionals — engineers, chefs, architects, yoga instructors, musicians, etc.
- Investment and Innovation:**
 - Boost to FDI:** Provisions incentivize UK investment in Indian manufacturing, startups, MSMEs, and critical technologies. Sectors like fintech, clean energy, AI, and supply chain management are key targets.
 - Technology Transfer:** Streamlined IPR, R&D collaboration, and joint projects in fields like AI, semiconductors, and cybersecurity.
- Non-Tariff Barriers and Regulatory Cooperation:**
 - Customs and Logistics:** Eased paperwork, predictable customs, and harmonized standards reduce transaction costs, benefitting SMEs.
 - Sanitary/Phytosanitary (SPS) Provisions:** These facilitate Indian agri and marine exports by aligning product standards and certifications
- Inclusive and Sustainable Development:**
 - MSMEs & Startups:** Dedicated chapters to connect MSMEs with global value chains, encourage sustainable practices, and promote women/youth entrepreneurship.
 - Rural and Social Uplift:** Expanded duty-free access for labour-intensive sectors, agri-produce, and handicrafts directly benefits farmers, artisans, and rural communities.
 - Environmental Safeguards:** Joint commitments for green tech, carbon reduction, and sustainable trade.

Benefits

- Boost to Bilateral Trade:** The deal covers 99% of tariff lines—India gets duty-free access to key UK markets in textiles, pharmaceuticals, leather, gems & jewellery, marine products, etc.
 - Trade is expected to double from \$56 billion to over \$100 billion by 2030.
- MSME Upliftment:** The agreement is a goldmine for MSMEs, especially in sectors like handicrafts, garments, engineering goods.
 - Streamlined customs, simplified origin rules, and lower compliance burden = better ease of doing business.
- Services Sector Expansion:** India's IT and ITeS giants gain wider access to UK markets.
- Professional mobility:** Pathways for youth, healthcare workers, chefs, engineers, etc. Mutual recognition of qualifications helps Indian professionals integrate faster.

- **Strategic Hedge Against China:** For the UK, this is part of a pivot away from overdependence on China. For India, it bolsters its 'Make in India for the World' push and Global South leadership narrative.
- **Tariff Gains on High-Value Imports:** UK automobiles and Scotch whisky will now enter India with reduced tariffs—up to 80–90% reduction under quotas, improving consumer access while boosting revenue through volume.
- **Technology & Sustainability:** Opportunities for collaboration on green tech, digital infrastructure, AI, and climate finance. Green goods and services receive special treatment under the “sustainable trade” clause.
- **Geopolitical Partnership:** CETA is part of the India–UK Vision 2035, a broader strategic roadmap covering trade, technology, climate, security, and people-to-people ties.

Challenges of India-UK CETA

- **Agriculture Sensitivities:** India has excluded or delayed liberalisation on sensitive items like dairy, grains, poultry, etc.
 - ♦ Sudden UK access to Indian markets could undercut rural livelihoods and violate food sovereignty.
- **Non-Tariff Barriers & Complex Compliance:** Sanitary and phytosanitary standards (SPS) in the UK remain high—MSMEs may still struggle with certification.
 - ♦ Data protection norms, IPR enforcement, and digital taxation clauses might tilt favourably for UK firms.
- **Mobility vs. Migration Politics:** While India pushed for liberal visa quotas, UK's domestic politics could limit actual implementation.
 - ♦ Issues around visa caps, student/work quotas, and post-Brexit immigration fears may become sticking points.
- **Trade Deficit Worries:** There's potential for a widening trade deficit if UK exports surge (luxury cars, machinery, medical devices) while Indian exports remain volume-based and low-margin.
- **Global Economic Risks:** Global economic uncertainties such as geopolitical tensions, protectionist tendencies, and technological disruptions may affect trade flows and investment confidence.

Way Ahead

- **Effective Implementation and Monitoring:** Establish joint India-UK CETA secretariats to monitor progress, resolve disputes, and adapt policies dynamically.
 - ♦ Involve Indian states and local bodies to ensure that benefits reach grassroots-exporting enterprises and farmers.
- **Capacity Building and Skill Development:** Promote upskilling in digital literacy, export quality standards, and language proficiency for professionals and MSMEs.
 - ♦ Facilitate targeted export financing, mentorship, and market intelligence services for small businesses.
- **Inclusive and Sustainable Growth:** Design social safety nets and transition support for sectors adjusting to new competition.
 - ♦ Enhance support for women and youth entrepreneurs through incubation centers, financial incentives, and participation platforms.
- **Strengthen Strategic Partnership:** Leverage the India-UK Vision 2035 framework to expand collaboration beyond trade into technology, climate action, education, and defense.
 - ♦ Invest jointly in R&D, green energy, and innovation ecosystems for mutual long-term growth.
- **Replicable Model for Future Trade Deals:** Use the India-UK CETA as a model for FTAs with the EU, US, and East Asian countries by emphasizing inclusivity, innovation, balance, and sustainability.
 - ♦ Incorporate mechanisms for regular review and adjustment to keep pace with economic changes and to enhance trade relations.

Source: TH

Mains Practice Question

- Q. India and the United Kingdom recently signed the Comprehensive Economic and Trade Agreement (CETA), hailed as a milestone in India's economic diplomacy. Examine the key features, benefits, and challenges of the agreement.

