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# India – United Kingdom

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## Free Trade Agreement



MAY 12, 2025

## INDIA - UNITED KINGDOM FREE TRADE AGREEMENT



### What is FTA?

A free trade agreement is a pact between 2 or more countries to eliminate or reduce import duties on a maximum number (90-95 per cent) of goods traded between them. It also aims to minimize non-trade barriers on a significant portion of imports from partner nations while easing regulations to boost service exports and bilateral investments.

### Aim of India - UK FTA

To boost Investment & trade by reducing tariff and non-tariff barriers and improving market access. It would also help expand opportunities in technology, healthcare and education.

### What excites U.K. in FTA deal with India?

- India's middle class is expected to double from **30 million people in 2019 to 60 million people in 2030**, before reaching nearly 250 million in 2050. This demographic change represents a great increase in demand for products and services, creating huge opportunities for British firms selling high quality, iconic brands and products.
- As the world's second largest services exporter, the UK is well placed to support Indian growth through their provision of world leading financial, creative, digital, professional and business, and technology services. The **UK's services exports to India amount to \$4.16 Billion**, while India has an expanding services sector which accounts for 54% of its economy.
- A UK-India agreement would help to put Global Britain at the heart of the Indo - Pacific region, an area representing over 40% of global GDP. Tilting towards the Indo-Pacific will also help diversify their trade, make their supply chains more resilient and make them less vulnerable to political and economic shocks from around the globe.

Total trade in goods and services (exports plus imports) between the UK and India was **\$55.38 Billion** in 2024, an increase of 8.3% in current prices from 2023.

- Total UK exports to India amounted to **\$22.23 Billion** in 2024 (an increase of **5.8%** in current prices, compared to 2023).
- Total India exports to U.K. amounted to **\$33.15 Billion** in 2024 (an increase of **10.1%** in current prices, compared to 2023).

### U. K's Top 5 Exports to India in 2024 ->

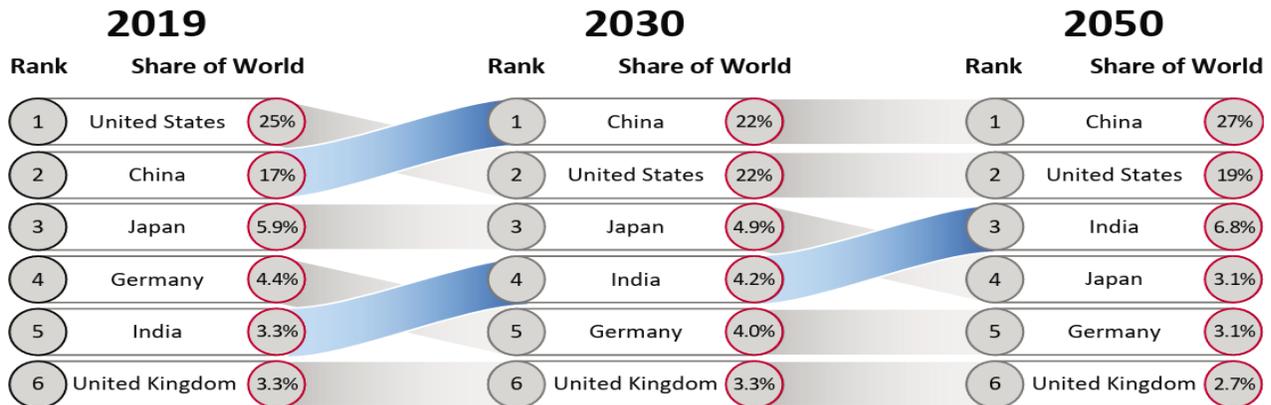
1. Non-ferrous metals (**\$2.59 billion**)
2. Metal ore & scraps (**\$1.12 billion**)
3. Mechanical power generators (**\$610.6 million**)
4. Beverage & tobacco (**\$341.4 million**)
5. General industrial machinery (**\$320 million**)

### India's Top 5 Exports to U.K. in 2024 ->

1. Refined oil (**\$1.69 billion**)

2. Clothing (\$1140 million)
3. Telecom & sound equipment (\$883 million)
4. Medicinal & pharmaceutical products (\$860 million)
5. Iron & Steel (\$633 million)

### Ranking of the world's six largest economies over the next 30 years

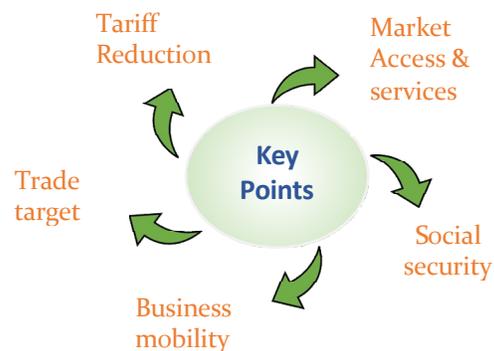


#### What INDIA and U.K. seeks in FTA deal

**India** seeking greater access for its student and professionals in U.K market, Social Security agreement and several goods at nil custom duties.

**U.K.** is looking for a significant cut in import duties on goods such as scotch whisky, electrical vehicles, lamb meat, chocolates and several confectionary items.

#### Key points on which trade agreement happened



#### 1. Tariff Reduction

Whisky and Gin - India has agreed to progressively reduce tar from 150% to 40% over a 10-year period.

Automobiles - Import duties on British cars will decrease from 100% to 10%.

Other Goods - Cosmetics, Medical devices and airplane parts.

#### 2. Market access and services

Indian export to U.K. - 99% of Indian exports to U.K such as Textiles, Food, Jewelry will be duty free.

U.K services in India - The agreement facilitates greater access for UK services in Indian markets, particularly in telecommunications, legal, and financial services sectors.

### 3. Business Mobility

The pact includes provisions for easier business travel, allowing more British firms to operate in India and simplifying travel for Indian professionals to the UK. Notably, Indian professionals like musicians, chefs, and yoga instructors will benefit from simplified visa processes.

### 4. Social Security Agreement

U.K is exempting temporary Indian workers in the UK from national insurance contributions for three years. This aim is to reduce the financial burden on Indian professionals working temporarily in the UK.

### 5. Trade target

The India-UK Free Trade Agreement (FTA) is expected to drive bilateral trade by \$100 billion by 2030.

#### Areas still under Discussion

##### 1. Investment Treaty

**Dispute resolution** - India insist on the “exhaustion of local remedies” clause, requiring investors to seek resolution through domestic courts before international arbitration.

##### 2. Intellectual Property Right

**Patent term extension** - The UK seeks longer patent protection periods, which India opposes to safeguard its generics industry.

##### 3. Rules of origin

**Product specific rules** - Determining the minimum processing required in each country for goods to qualify for preferential tariff treatment.

**Value addition criteria** - Establishing thresholds for value addition to prevent third-country goods from entering the market under the FTA's benefits.

##### 4. Carbon Border Adjustment Mechanism (CBAM)

**Implementation timeline** - The UK plans to introduce CBAM by 2027, imposing taxes on imports based on their carbon content.

**Exemption request** - India seeks an exemption from CBAM to protect its manufacturing sectors, such as cement and steel, from additional costs.

| Indian Export Opportunities to the UK              |            |           |  |   |
|--|------------|-----------|--|---|
| Labor Intensive sector<br>(Value of Trade in 2024) | Before FTA | After FTA | Major Companies affected in Sector   | Expected U.K global import demand growth by 2030. |
| Textile<br>(\$1.2 billion)                         | 12%        | Duty free | Welspun Living,<br>Trident Texofab,<br>Arvind Fashions,<br>Gokaldas Exports. | -27%  |
| Leather<br>(\$195 million)                         | 8%         | Duty free | Bata India,<br>Mayur Uniquoters,   | 52%   |

|  |                   |  |   |  |
|--|-------------------|--|---|--|
|  |                   |  | Bhartiya Int. Metro Brands                        |  |
| Footwear<br>(\$253 million)            | 16%               | Duty free                                  | Bata India, Relaxo Footwear, Liberty shoes.       | NA   |
| Sports goods & Toys<br>(\$40 million)  | 4% - 10%          | Duty free                                  | Ronin Exports, Funskool India Ltd.                | NA   |
| Gems and Jewelry<br>(\$536 million)    | 6% - 10%          | Duty free (Except Diamond & silver)        | Rajesh Exports, Kiran Gems, Hari Krishna Exports. | 28%  |
| Marine Products                        | 5% - 12%          | Duty free                                  | Avanti Feeds                                      | NA   |
| <b>Industrial Sectors</b>              | <b>Before FTA</b> | <b>After FTA</b>                           | <b>Major Companies affected in Sector</b>         | <b>Expected U.K global import demand growth by 2030.</b> |
| Engineering Goods<br>(\$1.01 Billion)  | 14%               | Yet to be finalized                        | Tata steels<br>Tata Motors<br>Bajaj Int.          | 55%  |
| Auto parts and Engines                 | 70% - 100%        | 30% over 5 years, for limited units at 25% | M & M<br>TVS Motors                               | 87%  |
| Organic chemicals<br>(\$302.6 million) | 18%               | Yet to be finalized                        | Aarti Drugs Ltd.                                  | 33%  |

| U.K. Exports to India                            |            |                                  |  |
|--|------------|----------------------------------|--|
| Product  | Before FTA | After FTA                        | Major Companies affected in Sector   |
| Whisky and Gin<br>(\$218 million)                | 150%       | 75% immediately & 40% by year 10 | United Spirits   |
| Cosmetics and Beauty products<br>(\$347 million) | 10-20%     | Duty free                        | Tarz Distribution.   |
| Aerospace and defense<br>(\$445 million)         | 10%        | Duty free                        | Pranavam Aerospace<br>Bharat Forge<br>Aethrone Aerospace                   |
| Lamb   | 35%        | Duty free                        | Quality NZ   |
| Medical devices<br>(\$215 million)               |            | Yet to be finalized              | Olympus medical System<br>Baxter International<br>Stryker<br>Philips India |
| Electrical machinery<br>(\$415 million)          | 15-25%     | Duty free                        | Reliance industries<br>Adani Logistics<br>Mahindra Logistics               |
| Soft drinks, Biscuits and chocolates             | 10-18%     | Duty free                        | Snackstar  |

**Notes**

1. For Whisky and Gin, it will improve market access for U.K. based distillers, but domestic liquor manufacturers and association argue that lower duties will hurt Indian brands by increasing competition in the high margin premium segment.
2. Reduction in duties will create tough competition for local and small manufacturers in sectors such as cosmetics and confectionary items like biscuits, soft drinks and chocolates.
3. The areas which are still under discussion like Intellectual Property and Rules of Origin may impact on the already fixed tariff on some of the major sectors like textiles and leather.