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India–UK Free Trade Agreement: What It Covers and What It Means

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WHY IN NEWS

The India–UK Free Trade Agreement (FTA), concluded after nearly **three years of negotiations**, is approaching formal implementation by **mid-May 2026** — marking India’s most significant bilateral trade deal with a major developed economy since the India–South Korea CEPA (2009). The deal is expected to substantially boost bilateral trade from the current **~\$36 billion** toward the two countries’ stated target of **\$100 billion by 2030**.

WHY AN INDIA–UK FTA NOW?

Post-Brexit Context

The UK left the European Union (Brexit) in January 2020, and with it, lost access to EU’s trade agreements with India. UK negotiators viewed an India FTA as a high-priority deal to demonstrate that post-Brexit “Global Britain” could forge independent trade relationships.

For India, the UK represented:

- A major market for Indian IT services, pharmaceuticals, and textiles
- A gateway to financial services and skilled migration access
- A geopolitically aligned partner (both democracies; India-UK “Comprehensive Strategic Partnership,” 2021)

What Took Three Years?

Key sticking points in the negotiations (started May 2022):

- ❶ **Scotch whisky tariff:** India’s 150% tariff was a major UK demand; India’s spirits industry resisted
- ❷ **Student/professional visa mobility:** India pushed for relaxed visa norms for Indian professionals and graduates; UK resisted post-Brexit immigration restrictions
- ❸ **Pharmaceutical market access:** UK wanted stronger IP protection; India defended its generic drugs framework
- ❹ **Automotive:** UK wanted lower tariffs on British cars (including EVs); India negotiated phase-down timelines

5 **Agriculture:** India resisted UK dairy and agricultural imports; UK pushed for market access

KEY PROVISIONS — WHAT EACH SIDE GETS

India's Gains

SECTOR	DETAIL
IT and ITeS	Services chapter facilitates temporary movement of Indian IT professionals to UK
Textiles & Apparel	Reduced UK tariffs (currently 12%) on Indian textile exports
Leather and Footwear	Improved market access; UK tariffs on Indian leather reduced
Gems & Jewellery	Lower tariffs; significant Indian export sector
Pharmaceuticals	Improved regulatory cooperation; recognition pathway for Indian generic drugs
Professional Mobility	3-year intra-company transfer visas; better mobility for Indian professionals

UK's Gains

SECTOR	DETAIL
Scotch Whisky	India's 150% tariff to be phased down over 10 years to ~75% by Year 5 and further
Automobiles	UK-manufactured cars (including EVs): phased tariff reduction; currently 100%
Financial Services	Improved market access for UK financial institutions in India
Medical Devices	Reduced tariffs and regulatory cooperation

BILATERAL TRADE — CURRENT STATE AND TARGETS

METRIC	FIGURE
Current India–UK bilateral trade	~\$36 billion (2023–24)
2030 target	\$100 billion
India’s rank for UK	UK is India’s 6th–7th largest trading partner
UK’s rank for India	India is UK’s largest trading partner outside G7
Indian diaspora in UK	~ 1.8 million — one of UK’s largest diaspora communities
Top Indian exports to UK	Petroleum products, pharmaceuticals, engineering goods, diamonds
Top UK exports to India	Machinery, medical instruments, Scotch whisky, automobiles

INDIA’S FTA LANDSCAPE — CONTEXT

FTA/CEPA	PARTNER	YEAR
SAFTA	South Asian nations	2006
India–ASEAN CECA	ASEAN 10	2010
India–South Korea CEPA	South Korea	2009
India–Japan CEPA	Japan	2011
India–UAE CEPA	UAE	2022 (signed Feb; in force May)
India–Australia ECTA	Australia	2022 (interim FTA)
India–UK FTA	UK	2026 (implementation ~May)

India has historically been cautious about FTAs — particularly after studies showed that India’s trade deficit with ASEAN widened post-CEPA. The India–UK FTA represents a more carefully negotiated deal with specific carve-outs for sensitive sectors.

SERVICES TRADE — THE CRITICAL DIMENSION

India’s primary interest in the UK FTA was always **services trade** — particularly IT/ITeS, which makes up the bulk of India’s UK trade. The FTA’s services chapter is arguably more important than the goods chapter:

- India is the UK’s largest source of IT services
- Indian IT companies (TCS, Infosys, Wipro, HCL) have large UK operations
- The FTA facilitates **Intra-Company Transfers (ICTs)** and **contractual service suppliers** — reducing visa friction for Indian IT professionals
- **Social Security Agreement** included: Indian professionals working short-term in UK won’t pay double social security contributions

UPSC RELEVANCE

PAPER	ANGLE
GS2 — IR	India–UK Comprehensive Strategic Partnership; post-Brexit trade architecture; India’s FTA strategy
GS3 — Economy	Services trade; tariff reduction; India’s FTA history; Scotch whisky tariff politics
GS2 — Governance	Services mobility; visa frameworks; professional recognition
Interview	“India’s FTAs have often widened the trade deficit rather than closing it — why should the UK FTA be different?”
Mains Keywords	India–UK CEPA, Comprehensive Strategic Partnership, Scotch whisky tariff, intra-company transfer, India’s FTA strategy

Negotiations started: May 2022 | Implementation: ~mid-May 2026 | Current bilateral trade: ~\$36 billion | Target: \$100 billion by 2030 | India gains: IT services mobility, textiles, gems, pharma | UK gains: Scotch whisky (150% tariff phased down), automobiles, financial services | Indian diaspora in UK: ~1.8 million | India–UK Comprehensive Strategic Partnership: 2021 | India’s other recent FTAs: UAE CEPA (May 2022), Australia ECTA (2022) | GS2: International Relations; GS3: Economy, Trade

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