UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

The India–UK FTA: Why Services Matter More Than Scotch

BUSINESS STANDARD

13 April 2026 · IR ECONOMY · GS2 GS3

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

The India–UK FTA: Why Services Matter More Than Scotch

Business Standard 13 April 2026 GS2 GS3

BS Business Standard | 4 tags ▾

EDITORIAL SUMMARY

With the India–UK Free Trade Agreement approaching formal implementation by mid-May 2026, the deal represents India's most significant bilateral trade agreement with a major developed economy in over a decade. But the media narrative — dominated by the Scotch whisky tariff reduction and automobile access — obscures where India's real gains lie: in the services chapter, specifically IT mobility, that makes the FTA structurally different from India's problematic goods-heavy FTAs with ASEAN and South Korea.

WHY POST-BREXIT BRITAIN NEEDED THIS DEAL

The UK left the European Union in January 2020. With Brexit, it lost access to the EU's existing trade agreements with India and with the rest of the world — deals it had benefited from as an EU member for four decades. The political and economic imperative to demonstrate that "Global Britain" could independently forge trade relationships shaped the UK's FTA priorities: India was identified as the highest-priority deal.

For the UK, an India FTA was simultaneously an economic and a political statement. Economically, the UK sought improved market access for Scotch whisky (currently facing a 150% tariff), automobiles (including EVs, facing a 100% tariff), financial services, and medical devices. Politically, the FTA validated the Brexit thesis that leaving the EU would unlock trade flexibility unavailable within the single market.

India's calculus was more pragmatic. The UK is India's 6th–7th largest trading partner; bilateral trade at ~$36 billion is significant but not structurally dominant. India's gains — IT services mobility, textile and leather market access, gems and jewellery tariff reduction — are valuable. But the transformative gain, if it materialises, is in the services chapter.

THE SERVICES CHAPTER: INDIA'S CORE INTEREST

India's IT and ITeS sector has deep UK roots. TCS, Infosys, Wipro, and HCL collectively employ tens of thousands in the UK and contribute billions to the UK's digital economy. India is the UK's largest source of IT services — a fact that rarely features in the public debate about the FTA but shapes India's negotiating priorities fundamentally.

The FTA's services chapter facilitates:

- **Intra-Company Transfers (ICTs)**: Three-year visas for Indian IT professionals moved within their companies from India to the UK. This is not a new immigration pathway — it streamlines and expands an existing one, reducing friction and uncertainty.
- **Contractual service suppliers**: Indian professionals sent to the UK to fulfil contracts can do so with greater regulatory clarity.
- **Social Security Agreement**: Perhaps the most practically significant provision — Indian IT professionals working short-term in the UK will not pay double social security contributions (to both the EPFO in India and the National Insurance system in the UK). For companies rotating staff between the two countries, this eliminates a significant cost.

These provisions do not transform the UK job market; they reduce transaction costs for companies already operating across both countries. The economic value — for Indian IT companies and for the large Indian diaspora (~1.8 million in the UK) with professional ties to India — is real but diffuse.

LEARNING FROM PAST FTAS: THE ASEAN LESSON

India's caution about FTAs is grounded in experience. The India–ASEAN Comprehensive Economic Cooperation Agreement (2010) was meant to integrate India into Southeast Asian production networks. Instead, India's trade deficit with ASEAN widened from ~$7 billion in 2010 to ~$43 billion by 2022 — driven by cheap Chinese goods transshipped through ASEAN members and by India's inability to compete in manufacturing at scale with the ASEAN bloc.

The India–South Korea CEPA (2009) produced a similar pattern: South Korea's manufactured goods (electronics, automobiles) penetrated the Indian market effectively; India's IT services exports to South Korea, by contrast, remained limited. The goods-services asymmetry in India's FTAs has consistently favoured manufacturing-exporting partners.

The UK FTA is different in structure. The UK is a services economy — its comparative advantage lies in financial services, legal services, education, and high-end manufacturing (including luxury automobiles and pharmaceuticals), not in mass-manufacturing goods that could flood India's market. India's own comparative advantage — IT services, generic pharmaceuticals, textiles — aligns well with what the UK lacks and seeks to import. The bilateral FTA is, in this sense, structurally complementary in a way that the ASEAN FTA was not.

THE RISK: IMPLEMENTATION AND RECIPROCITY

The FTA's services provisions are only as valuable as their implementation. History offers caution: India–Australia ECTA (2022) included services chapters that remain incompletely operationalised three years later. The UK's post-Brexit immigration politics — which drove resistance to student and professional visa liberalisation throughout the negotiations — remains a live variable. Any domestic UK political shift that restricts ICT visa approvals in practice, even within the FTA's formal provisions, would erode India's primary gain from the deal.

The Scotch whisky tariff reduction — phased over 10 years, from 150% toward ~75% by Year 5 — will have minimal macroeconomic impact on India. The Indian spirits market is dominated by IMFL (Indian Made Foreign Liquor) and domestic whisky brands; premium Scotch is a niche urban consumption item. Its inclusion was primarily symbolic: the UK needed to show its most politically vocal trade constituency (the Scotch whisky industry) a tangible gain.

The automobile provisions similarly involve a phased timeline that gives India's domestic EV industry (Tata, Mahindra) time to adjust to competition from UK-manufactured cars — though the threat is limited given price differentials.

WHAT SUCCESS LOOKS LIKE

The India–UK FTA will be counted a success if, in five years, Indian IT companies report meaningfully reduced friction in deploying professionals to the UK, and if bilateral trade advances from $36 billion toward $50 billion. It will be counted a failure if the services chapter becomes the usual story of FTAs: ambitious on paper, undermined in practice by visa delays, credential recognition gaps, and the political reluctance of receiving countries to honour their commitments.

The lesson India should carry from this negotiation is not about Scotch whisky. It is that a services-led FTA — one that primarily opens professional mobility rather than goods markets — is the architecture that serves India's comparative advantage in the 21st century. The India–UK deal is, in that sense, a template for what India should seek from the US, EU, and other major services economies: not lower tariffs on our cotton, but lower barriers on our engineers.

UPSC RELEVANCE

PAPER	ANGLE
GS2 — IR	India-UK bilateral; post-Brexit architecture; Comprehensive Strategic Partnership
GS3 — Economy	Services trade; FTA strategy; ASEAN lesson; ICT visas; trade deficit management
Mains Keywords	India-UK FTA, services chapter, ICT visas, Scotch whisky tariff, ASEAN CEPA lesson, post-Brexit Global Britain, Social Security Agreement

RELATED DAILY ARTICLES

13 Apr Current Affairs Today — April 13, 2026

13 Apr India–UK Free Trade Agreement: What It Covers and What...

13 Apr India Auctions 46 Critical Mineral Blocks: Reducing...

13 Apr UPI's Record 21.70 Billion Transactions: India's...

← NEWER EDITORIAL
India's Fertilizer Subsidy: Generous to Middlemen, Fragile...

OLDER EDITORIAL →
The Right to Vote Is Not a Gift: West Bengal's Electoral...

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/editorials/2026/04/india-uk-fta-services-led-diplomacy/