

INDIA-UK FTA: RECALIBERATING TRADE DIPLOMACY IN A MULTIPOLAR ECONOMY

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India and the United Kingdom have consummated a landmark Free Trade Agreement (FTA), momentous not only in quantitative magnitude - encompassing reductions across 90% of tariff lines - but also in its emblematic stature as a recalibration of post-globalization economic strategy. Projected to amplify bilateral trade by £25.5 billion, with ancillary gains to the UK's GDP (£4.8 billion) and annual wages (£2.2 billion), the FTA evokes Adam Smith's "invisible hand," guided here by the exigencies of a recalibrated, multipolar order. As a geopolitical artefact, the agreement circumvents dependence on Chinese supply chains, sidesteps US protectionism, and redefines Britain's post-Brexit economic grammar.

The FTA takes place in the backdrop of growing economic relations between India and the UK as exemplified in the bilateral trade of about \$60 billion which is projected to double by 2030.

India's exports in FY25 outpaced a 6.1% contraction in imports. The FTA, spanning goods, services, and technology, seeks to foster inclusive growth, resilient supply chains, and employment generation. Liberalization in UK sectors such as IT, finance, education, and consumer goods unlocks labor-intensive export potential in Indian industries like textiles, toys, marine products, and auto components. While immigration policy remains static, the accord enables select professional mobility - around 1800-2000 visas annually for chefs, musicians, and yogis—fusing economic pragmatism with cultural diplomacy.

Milestone features include expanded access to telecom and renewables, digital trade facilitation, emphasis on green goods, reciprocal social security arrangements, and UK access to Indian public procurement as class-2 suppliers. Concurrently, India advances negotiations with the EU, Australia, Peru, Sri Lanka, and Oman, and reviews existing pacts with South Korea and ASEAN—signaling a broader strategic reconstitution of its global trade architecture. India-UK FTA is not merely a transactional accord but a dialectical moment in the evolution of twenty-first-century trade philosophy—where national interest, moral purpose converge in a new synthesis of strategic liberalism.

INDIA-UK FTA

- ◆ India and the United Kingdom have finalised a historic multi-billion-pound free trade agreement, ensuring reductions across 90% of tariff lines. The free trade agreement is projected to enhance bilateral trade by £25.5 billion, whilst boosting UK GDP by £4.8 billion and increasing wages by £2.2 billion annually in the long term and also benefitting India in significant ways.
- ◆ The FTA signal a new global trade strategy, bypassing China's dependence, navigating US tariffs and reshaping post BREXIT Britain.
- ◆ The share of total trade with UK has increased from 1.69% in FY23 to 1.91% in FY25.
- ◆ Premier of both the countries are expected to meet in the coming months to sign off the deal before it is ratified by the respective parliaments.

India-UK merchandise Trade (\$ mn)					
Year	FY21	FY22	FY23	FY24	FY25
EXPORTS	8,738	8,158	10,461	11,406	12,923
%Growth		-6.64	28.24	9.03	13.3
%Share	2.79	2.8	2.48	2.53	2.96
IMPORTS	6,713	4,956	7,018	8,961	8,414
%Growth		-26.17	41.61	27.69	-6.11
%Share	1.41	1.26	1.14	1.25	1.24
Total Trade	15,450	13,113	17,479	20,366	21,336
%Growth		-15.13	33.29	16.52	4.76
%Share	1.96	1.91	1.69	1.75	1.91
TRADE BALANCE	2,025	3,202	3,444	2,445	4,509

Source: SBI Research

INDIA-UK TRADE DYNAMICS

- ◆ The India-UK FTA comes at a time of strong bilateral trade, with current merchandise trade valued at around US\$21.3 billion.
- ◆ The FTA and Double Contribution Convention pact is expected to lead to significant economic benefits for both the countries. The FTA takes place in the backdrop of growing economic relations between India and the UK as exemplified in the bilateral trade of about \$60 bn which is projected to double by 2030.
- ◆ India's trade with the UK has risen in FY25, with exports rising at higher pace than imports (declined by 6.1% in FY25). Exports of electrical machinery, machinery and mechanical appliances, mineral fuel, Nuclear reactors to UK increased in FY25.

IMPACT ON INDIA

- ◆ The deal spans multiple sectors, including goods, services, and technology, aiming to support sustainable and inclusive economic growth, build resilient supply chains, and create high-quality jobs in India.
- ◆ India will also receive advantages from the UK's FTA commitments in various service sectors, including IT/ITeS, financial, professional, educational services, apparel, shoes, and food items such as frozen prawns. The agreement creates new export possibilities for sectors requiring a substantial workforce, including textiles, marine products, leather, footwear, sports goods and toys, gems and jewellery, engineering goods, auto parts and engines, and organic chemicals.
- ◆ However, the deal involved no change to immigration policy but would facilitate visa routes for Indian professionals in certain sectors, and allow up to 1,800 visas for Indian chefs, musicians and yogis a year. Further, there will be no exemption from the UK's forthcoming carbon tax, although talks on this continue. There will be chapters on anti-corruption, gender equality, and environmental and labour standards.
- ◆ Trade barriers will be eliminated as India agrees to lower tariffs on various products, including whisky, medical devices, advanced machinery, and lamb, enhancing the competitiveness of UK exports. These domestic manufactures of Whiskey, car makers etc, may be affected to this FTAs.

Exports to UK top 5 items	
Items	% share in total Exports to UK
Electrical Machinery and Equipment	15.26
Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	11.63
Mineral Fuels, Mineral Oils and Products of their Distillation	9.14
Natural or cultured Pearls, Precious or semi precious stones etc	6.97
Pharmaceutical Products	5.39
Imports from UK top 5 items	
Items	% share in total Imports to UK
Natural or cultured Pearls, precious or Semi precious Stones etc	30.46
Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	17.42
Electrical Machine	7.25
Iron and Steel	5.00
Aluminium and Articles	4.51
Source: SBI Research	

KEY MILESTONES OF FTA

The free trade agreement touches important milestones from the point of view of India.

- ◆ The FTA by lowering the tariffs has widened the options for purchase by India in key areas such as telecom and renewables.
- ◆ The FTA gives flip to digital trades which benefits India. The agreement will have provisions on cross border flow of data and localization and recognition of electronic contract and electronic authentication.
- ◆ The FTA has laid emphasis on environment with provision to promote trade in environmental goods. Currently exports of such good from India is 1.8% of total exports.
- ◆ The agreement has reciprocal arrangement on Double Contribution of mandatory social security contribution with temporary employees working in respective countries will have pay social security contribution in their home country for period of 3 years.
- ◆ In a major shift the FTA open way for UK business for bidding in government procurement as class 2 supplier in services, construction and green infrastructure.

FUTURE TRADE NEGOTIATIONS

- ♦ India has signed 13 Free Trade Agreements (FTAs) with its trading partners.
- ♦ India is currently negotiating the following FTAs with its trading partners: India-EU FTA, India-Australia Comprehensive Economic Cooperation Agreement (CECA), India-Peru Trade Agreement, covering goods, services and investment, India-Sri Lanka Economic and Technical Cooperation Agreement (ETCA) and India-Oman FTA.
- ♦ Moreover, India has also initiated review of its existing FTAs, namely, (i) India-South Korea Comprehensive Economic Partnership Agreement (CEPA), and (ii) ASEAN-India Trade in Goods Agreement (AITIGA).

India's Top 10 trade items as per APEC List of Environmental Goods(FY25 till Han'25)					
Top 10 items _Export			Top 10 items _Imports		
HS code	USD MN	% share	HS code	USD MN	% share
850300	165	0.45	847989	1713	0.28
847989	50	0.14	903180	968	0.16
850490	50	0.14	850490	706	0.12
841199	47	0.13	903289	617	0.10
847990	39	0.11	850300	617	0.10
903289	25	0.07	847990	536	0.09
841290	23	0.06	842199	457	0.08
842199	22	0.06	902790	333	0.06
903180	18	0.05	903190	306	0.05
842121	17	0.05	842139	288	0.05
All EG goods	672	1.85	-	10862	1.79

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