

UK FTA is good news for India amid global turbulence. Domestic reforms must follow market access

For assessing effectiveness of the pact, it would be worthwhile to see if India's share in UK's imports & UK's share in India's exports see a material pick-up over time.

Radhika Pandey and Pramod Sinha 16 May, 2025



The trade deal between India and the United Kingdom comes as a landmark development in a year marked by uncertainty and turbulence in global trade. The deal, by providing unhindered market access of goods and services, is expected to double the total bilateral trade between the two countries to USD 120 billion by 2030, up from USD 60 billion.

According to the trade agreement, 90 percent of UK tariff lines, which will cover 92 percent of goods imports from the UK will face reduced tariffs in India. The agreement removes tariffs on 99 percent of Indian tariff lines, covering nearly 100 percent of exports.

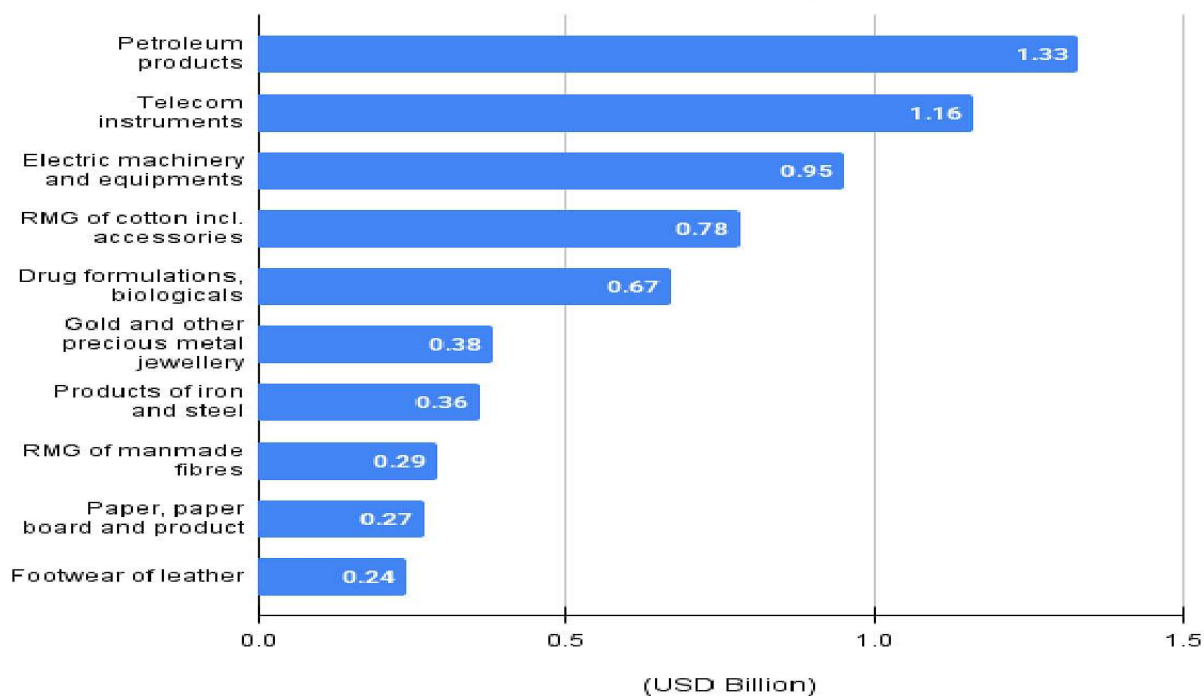
The trade pact has the potential to offer huge export opportunities for sectors, such as textiles, leather, toys, food items, engineering goods, auto parts and chemicals. While the agreement facilitates market access, it needs to be followed up with domestic reforms to address impediments, like lack of scale, labour market rigidities and logistical pain points, to mention a few.

India-UK trade

In the financial year 2023-24, India-UK goods trade reached USD 21.4 billion—a rise from USD 20.4 billion in the previous year. Of this, India exported goods worth USD 13 billion to the UK, and imported goods worth USD 8.4 billion from the UK.

Of the USD 13 billion exports, India's exports of manufactured goods were valued at USD 10.4 billion. Among manufactured goods, engineering goods, electronic goods, readymade garments, chemicals and leather are India's key exports to the UK. Engineering goods mainly include exports of machinery and instruments and transport equipment. Within electronic goods, India primarily exports telecom instruments.

INDIA'S EXPORTS TO UK IN FY 2023-24 (TOP 10 BY VALUE)

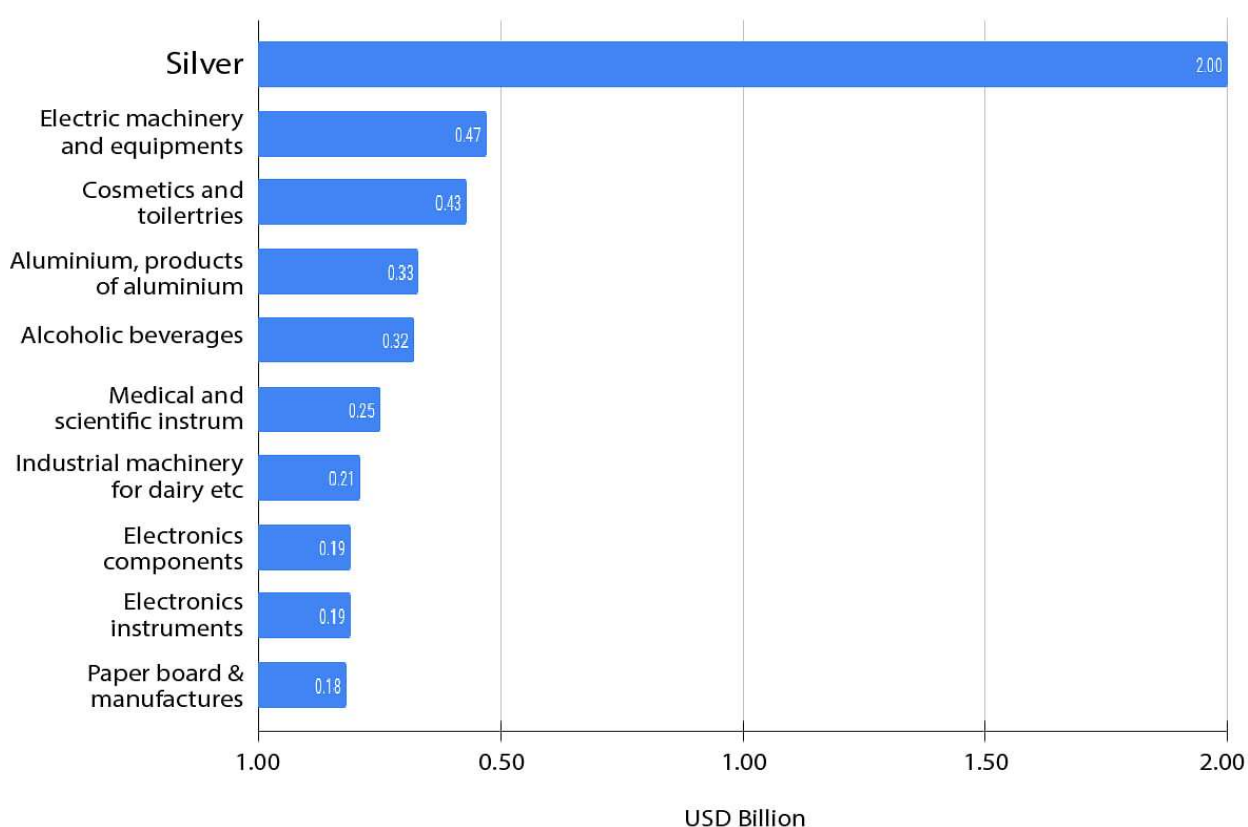


Source: Ministry of Commerce and Industry and CMIE Economic Outlook

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Imports from the UK amounted to USD 8.4 billion in 2023-24. Silver, electric machinery and equipment, cosmetics and toiletries, aluminium and products of aluminium, alcoholic beverages, and medical and scientific instruments, were the top six imports from the UK, accounting for nearly 45 percent of the total imports.

INDIA'S IMPORTS FROM UK IN FY 2023-24 (TOP 10 BY VALUE)

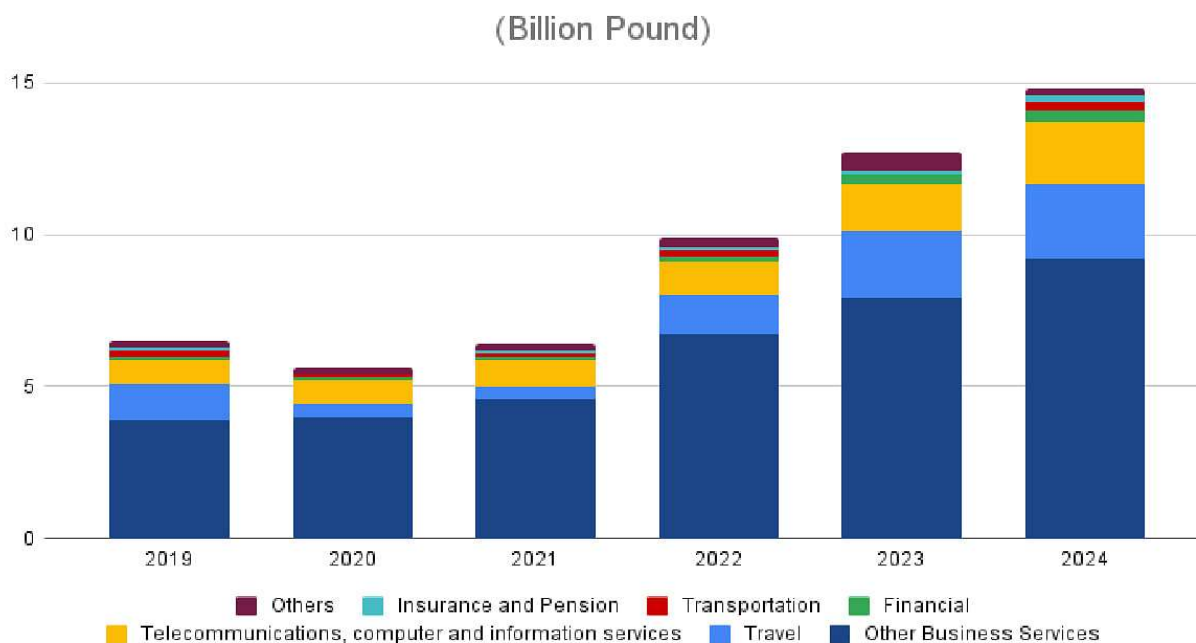


Source: Ministry of Commerce and Industry and CMIE Economic Outlook

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India also enjoys a surplus in services trade. In the calendar year 2024, India exported services worth GBP 14.7 billion and imported services worth GBP 10.1 billion. The main category of services exports include other business services (GBP 9.2 billion), travel (GBP 2.5 billion) and telecommunication services (GBP 2 billion). Exports of other business services highlight India's strength in consulting and business process outsourcing.

INDIA'S SERVICES EXPORTS TO THE UK



The key services imports from the UK encompass travel, transportation, telecommunication, intellectual property and financial services. However, the main export from the UK is concentrated in travel.

How India stands to gain

India currently exports USD 1.3 billion of readymade garments to the UK, which is the second largest export market for Indian readymade garments.

The trade agreement will now create a level playing field to compete with countries like Bangladesh that enjoys duty-free access due to its Least Developed Country (LDC) status. Notably, a substantial part of India's textile sector comprises MSMEs. The trade pact could boost demand prospects for them.

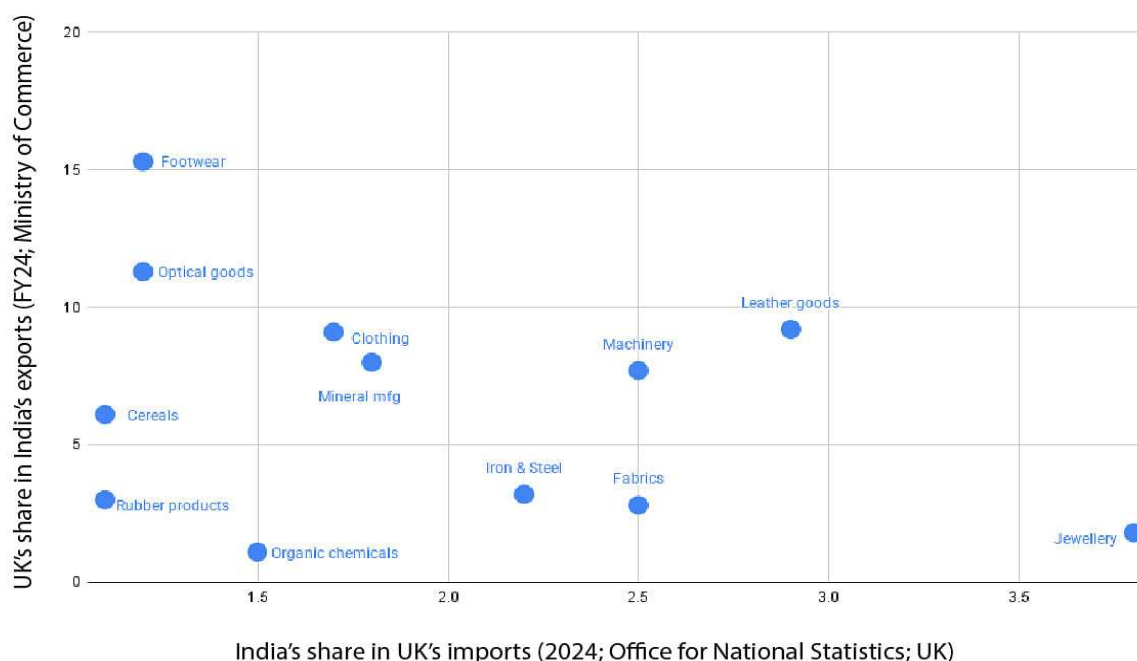
The trade pact can also give a fillip to India's gems and jewellery exports at a time when exports to major export destinations, such as the US, are on a decline. The UK's luxury market provides an opportunity for gems and jewellery, including gold jewellery and lab-grown diamonds. Currently, India

exports around USD 400 million of jewellery. With a cut in present duty ranging between two and four percent, exports of gems jewellery are expected to rise.

Leather, footwear, toys, engineering goods, organic chemicals are also likely to benefit from the trade deal. In particular, footwear exports are subject to a duty of 16 percent. Post the deal, these exports are poised to have an edge.

Overall, for assessing the effectiveness of the trade pact, it would be worthwhile to see if India's share in UK's imports and UK's share in India's exports see a material pick-up over time.

INDIA'S SHARE IN UK'S IMPORTS AND UK'S SHARE IN INDIA'S EXPORTS



Source: Ministry of Commerce and Industry and Office for National Statistics, UK

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How UK stands to gain

The UK has put out a [technical note](#) on the preliminary economic impact of the Free Trade Agreement with India. According to estimates, the UK's GDP

will increase by GBP 4.8 billion every year, and wages will rise by GBP 2.2 billion every year in the long run.

The trade deal promises greater market access for UK's high value exports, such automobiles, scotch whisky, and electrical machinery. India has agreed to cut tariffs on Scotch whisky from 150 percent to 75 percent immediately upon implementation of the FTA. The elimination of duty is expected to stimulate interest from UK fashion and luxury labels in the rapidly growing Indian affluent consumer base.

The trade agreement guarantees access for the UK's financial and professional services sectors to India's growing market.

Opportunity in government procurement

The gains are not just restricted to flow of goods and services. The trade deal has opened up India's large government procurement market, constituting up to 30 percent of India's GDP, to British suppliers. The opening up of procurement in certain non-sensitive sectors, keeping intact the preference for local suppliers and MSMEs, will boost efficiency and improve quality of service in sectors, like transport, health care and green energy.

The entry of foreign players should be followed with other systemic reforms, such as swift dispute resolution.

The FTA enhances professional mobility through movement of various professionals, such as contractual service suppliers, independent professionals, investors etc. While the FTA facilitates the entry of Indian workers, professionals would have to prove their experience and qualifications for those roles. Indian workers are also exempted from paying social security contributions in the UK for three years.

Carbon tax could limit gains

The UK has decided to implement the Carbon Border Adjustment Mechanism (CBAM), starting 2027.

The trade deal does not have any agreement to counter Britain's proposed carbon tax. Export gains in some of the product categories could be nullified due to the tax. This could follow retaliation by India, if CBAM impacts domestic exports.

Radhika Pandey is associate professor and Pramod Sinha is a Fellow at the National Institute of Public Finance and Policy (NIPFP).

Views are personal.