

Landmark trade deal

India-UK FTA marks a paradigm shift in ties

Vijay Goel

The India-UK Free Trade Agreement (FTA) marks a major milestone in the evolving economic relationship between two of the world's leading democracies.

The journey towards this landmark deal (the terms of which have been agreed upon with only the formal signing remaining) began in May 2021, when Prime Ministers Narendra Modi and Boris Johnson launched the "Enhanced Trade Partnership," with the goal of doubling bilateral trade by 2030.

This move aligned with the UK's post-Brexit strategy of expanding trade relationships beyond the EU and with India's ambition to secure greater access to global markets. Formal negotiations commenced in January 2022 and spanned 15 rounds over more than three years.

Though initially targeted for completion by Diwali 2022, the talks required additional time to address complexities around tariff reductions, digital trade, professional mobility, and investment protections.

Now, in May 2025, the two sides have successfully concluded negotiations.

KEY ELEMENTS

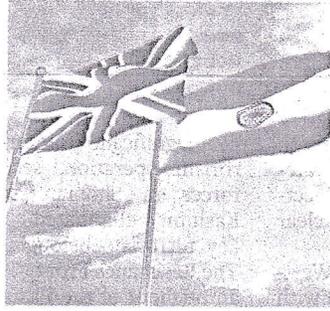
The India-UK FTA will liberalise trade in goods and services, enhance market access, and deepen collaboration across emerging sectors.

Tariff reductions: One of the most anticipated outcomes is the phased reduction of tariffs on several flagship UK exports. Import duties on Scotch whisky — currently at 150 per cent — will drop to 75 per cent, with further reductions over a 10-year period. Similarly, tariffs on luxury British automobiles will be reduced to around 10 per cent, within a quota-based framework.

In return, India has secured duty-free or preferential access for up to 99 per cent of its exports to the UK, including textiles, leather products, engineering goods, rice, and gems and jewellery.

Mobility of professionals: The agreement also includes provisions to facilitate temporary movement of Indian professionals, especially in the IT, healthcare, culinary, and wellness sectors.

One of the most impactful elements is the UK's commitment to exempt Indian professionals on



FTA. A win-win deal ISTOCKPHOTO

national insurance contributions for up to 36 months.

Services and investment access: The FTA introduces improved rules for services trade and investment. It simplifies procedures for legal, financial, and consulting services, and includes provisions for digital trade, intellectual property, and regulatory cooperation.

Economic and strategic impact: According to UK government projections, the FTA could add up to £25.5 billion annually to bilateral trade by 2040. It is expected to contribute £4.8 billion to UK GDP over the next 15 years and generate an estimated GDP increase of £3.7 billion to £8.6 billion for India by 2035.

India stands to benefit through increased market access for labour-intensive sectors such as apparel, footwear, and agricultural goods. The UK, in turn, will gain from expanded export opportunities in automobiles, beverages, electronics, and services.

The implementation of the pact will be critical to ensuring that businesses — especially SMEs — can fully capitalise on the new opportunities.

Key to this will be awareness campaigns, simplification of customs procedures, and capacity-building initiatives by government and industry bodies. Trade facilitation, harmonisation of standards, and regulatory transparency will also play a vital role in ensuring smooth execution of the agreement's provisions.

Stakeholders in both countries will need to collaborate closely to ensure that the benefits reach a wide base of businesses and workers. Legal certainty, dispute resolution mechanisms, and institutional support will be essential for building long-term confidence in the new trade framework. The FTA represents a momentous development in the economic relationship between the two countries.