

# Truss' decision to quit casts fresh shadow over trade deal: Analysts

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**LIZ TRUSS' DECISION** to quit as Britain's Prime Minister is the latest in a series of setbacks for the proposed India-UK free trade agreement (FTA), which will, at the very least, delay negotiations substantially unless the scope of the deal is vastly truncated.

Trade analysts told FE that persistent political and economic turmoil in England will consume much of policy-makers' attention there at this juncture, leaving very little appetite for a fresh trade deal benefits of which are unlikely to accrue immediately. Moreover, if the turmoil continues, British negotiators' hands will remain tied in the absence of credible policy directions, even though there is tacit, across-the-board support for such a pact with India.

India, too, will get into the general election mode early next fiscal. So, the government here may not want to hammer out an FTA at that point and take the risk of upsetting domestic industry in any manner, some of the analysts said.

Biswajit Dhar, professor at the Centre for Economic Studies and Planning of JNU, apprehended that the FTA is probably "dead in the water now".

"Usually, trade deals happen only when the going is good. But when times are tough, it will be very hard for policy-makers to sell a free trade deal to stakeholders, many of whom would be clamouring for more protectionism," Dhar said.

Beyond the political turmoil in



"We will have to wait and see...what happens, whether they have a quick change of the leadership, whether it goes to the whole process...So let us see who comes into the government and what their views are"

**PIYUSH GOYAL,  
COMMERCE AND INDUSTRY  
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the removal of barriers."

Since the fixing of the Diwali deadline for the FTA by then British Prime Minister Boris Johnson and Prime Minister Narendra Modi, negotiators have faced several challenges, mainly due to the turmoil in the UK. First, Johnson resigned in

Beyond the political turmoil in the UK, the persistence of strong global headwinds suggests the economic environment, too, isn't conducive enough for both the countries to hurry into an FTA, he added.

While the Diwali deadline (October 24) for the conclusion of the FTA is out of the question now, targeting a deal even before the 2024 election in India would be ambitious, the analysts added.

Jayant Dasgupta, former ambassador of India to the World Trade Organization (WTO), said: "Negotiations are going to be delayed further because, home secretary Suella Braverman quit on Wednesday and now Truss has announced her resignation. So, the new government will first seek to find its feet, check the downslide in the pound and the financial markets and bring in stability to the economic environment. So, these would be their top priorities."

Moreover, every trade deal involves a certain amount of give-and-take. This isn't a great time to "concede" for any party, especially the UK, he added.

Arpita Mukherjee, professor at Indian Council for Research on International Economic Relations, said, "Political uncertainties may cause delay in the conclusion of a deal. However, the FTA will be beneficial for both the sides if it leads to

July. In September, Queen Elizabeth II passed away, leading to a 10-day national mourning there.

Truss succeeded Johnson in September but her controversial tax cut plan led to a turmoil in the financial market there. Earlier this month,

home secretary Braverman publicly expressed her concerns over any "open border policy" under the FTA. While she later softened her stance, she, too, quit on Wednesday.

Meanwhile, the massive 45 billion pound (\$50 billion) package of tax cuts, when inflation is at its

peak in about four decades, backfired. The pound's crashed to an all-time low against the dollar and the gilts stared at a rout. Truss rolled back the tax cut plan and fired the earlier finance minister but the damage was done.

Finally, she decided to quit just after 45 days in office. While Truss will continue until her successor is found, she is unlikely to take any major decision.

Both India and the UK launched formal negotiations in January for the FTA, which was expected to cover more than 90% of tariff lines. They aim to double bilateral trade of both goods and services to about \$100 billion by 2030. The India-UK trade is dominated by services, which make up about 70% of the overall annual commerce.

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