

India, UK aim to sign FTA by July; legal vetting on

Greater mkt access for Indian exporters of labour-intensive products on cards

SHREYA NANDI
New Delhi, 21 March

After a long delay, New Delhi and London are aiming at signing the free-trade agreement (FTA) by July, leading to Indian exporters of labour-intensive products such as textiles, machinery, automobile parts, and marine products getting greater market access.

Signing a trade deal with the United Kingdom (UK) would be one of the main priorities of India's National Democratic Alliance-led government, which is now eyeing a third consecutive term.

"The legal vetting of the trade deal is on. Only one per cent of the deal needs to be finalised. Even if we iron out the last few issues, the deal cannot be announced till the elections in India are over," a senior government official told *Business Standard*.

While the last round of negotiations between India and the United Kingdom (UK) concluded during the first week of this month, the negotiating teams from both sides are continuing to hold discussions virtually.

The timeline for finalising the FTA continues to remain crucial even after the conclusion of the Lok Sabha elections in early June, since the UK will get close to its general election thereafter.

Intense negotiations were held especially over the last two months to iron out the contentious issues. Since January, a high-profile delegation from London visited New Delhi twice to thrash out the thorny issues pertaining to the deal. Similarly, an Indian delegation headed by Commerce Secretary Sunil Barthwal was in London for discussion.

Most importantly, last week, Prime Minister Narendra Modi and his UK counterpart Rishi Sunak discussed an early conclusion of the FTA on the phone, which gave a final push to the negotiating team from both sides.

"Both sides intended to finalise the deal before the announcement of the model code of conduct (on March 16), but a few differences remained. That's why it was decided that it was crucial for the deal

ILLUSTRATION: AJAY MOHANTY



WHAT'S HOLDING UP THE DEAL

- Bilateral investment treaty
- Social security agreement
- A few contentious issues on market access related to goods and services

GAINS INDIA IS EYEING

- Greater access for sectors such as textiles, machinery, automobile parts and marine products
- Easier movement of skilled professionals
- Social security pact to ensure that social security-related contributions for workers, in the form of insurance or pension, are not made in both countries

to be 'fair and equitable' and it shouldn't be rushed, even as the Indian side thought an announcement of a substantial conclusion of the deal should be contemplated," the official cited above said.

A separate bilateral investment treaty (BIT) or an investment pact, which is being negotiated by the finance ministry, is one of the major areas where a consensus is yet to be achieved.

"London is unwilling to sign a deal without finalising the BIT. So there's a holdup on that front," the official said. While India is also keen to sign a BIT, it's not as big a priority.

India is bargaining hard to seek a resolution on London's plan to roll out carbon border tax on its imported goods from 2027. A resolution is yet to reach on that front. Similarly, India has made it clear that a bilateral social security agreement (SSA) to protect the interests of skilled cross-border workers will be imperative in finalising the deal. "There has been progress on the social security agreement,

and some differences have been narrowed," the official said.

Although India has signed three important FTAs since 2022 — with the United Arab Emirates, Australia, and European Free Trade Association — a deal with the UK is expected to be one of the most crucial since India walked out of the China-backed Regional Comprehensive and Economic Partnership (RCEP) deal in 2019.

India-UK FTA negotiations, launched in January 2022, have had 14 rounds so far. Chapter-wise textual negotiations are "nearly closed and schedules on goods and services are at an advanced stage" of negotiations.

"Recently, the UK team visited India (March 5-7) for negotiations on outstanding issues. Teams have made good progress. A majority of difficult issues are towards resolution. A couple of key priority issues to seal the deal are being ironed out to have a balanced outcome," the commerce department said last week.