

# A deal amid trade wars

From unlocking exports for labour-intensive sectors to slashing duties on autos and apparel, the free-trade agreement opens doors for many new opportunities

SMOOTH ROAD AHEAD

## Luxury cars set to get cheaper

SOHINI DAS  
Mumbai, 24 July

The India-United Kingdom free-trade agreement (FTA) is likely to boost market access for high-end luxury cars owing to lower tariffs.

Under the FTA, tariffs on automotive imports will come down by 50 per cent over 10 years (out of quota).

JLR is likely to be the biggest beneficiary of this move. Players like Aston Martin (which sold fewer than 25 cars in India in 2024, according to market sources), Rolls Royce, and McLaren too are likely to benefit from the reduced import duty.

Players like Jaguar Land Rover (JLR) make 60 per cent of the cars they sell in India locally as completely knocked down (CKD) units and it is on track to start local assembly at its Tamil Nadu plant next year. It makes the Range Rover, Range Rover Sport, Velar, and Evoque in India (Pune plant). CKD units attract a 15 per cent basic customs duty.

Possibilities remain on assembling JLR's Defender model in India, given the fact that the car is manufactured at the manufacturer's Slovakia plant, which is outside the purview of the India-UK FTA. The quota and the duty structure vary with the type of engine, and therefore industry insiders say these British luxury cars may be cheaper by 50 per cent or more. The industry is still studying the fine print of the deal. McLaren has sold around 50 cars in India since 2022 while Rolls Royce is estimated to have sold around 60 cars in 2023 (the latest data is not available).

"We welcome this FTA, which over time will deliver reduced tariff access to the Indian car market for JLR's luxury vehicles," a JLR spokesperson said in a statement, adding that India was an important market for the company's British-built products and represented significant growth opportunities.

In a separate query regarding a change in the pricing of imported prod-



Prime Minister Narendra Modi and his British counterpart Keir Starmer during a business showcase event at Chequers, near Aylesbury, in England on Thursday

PHOTO: AP/PTI

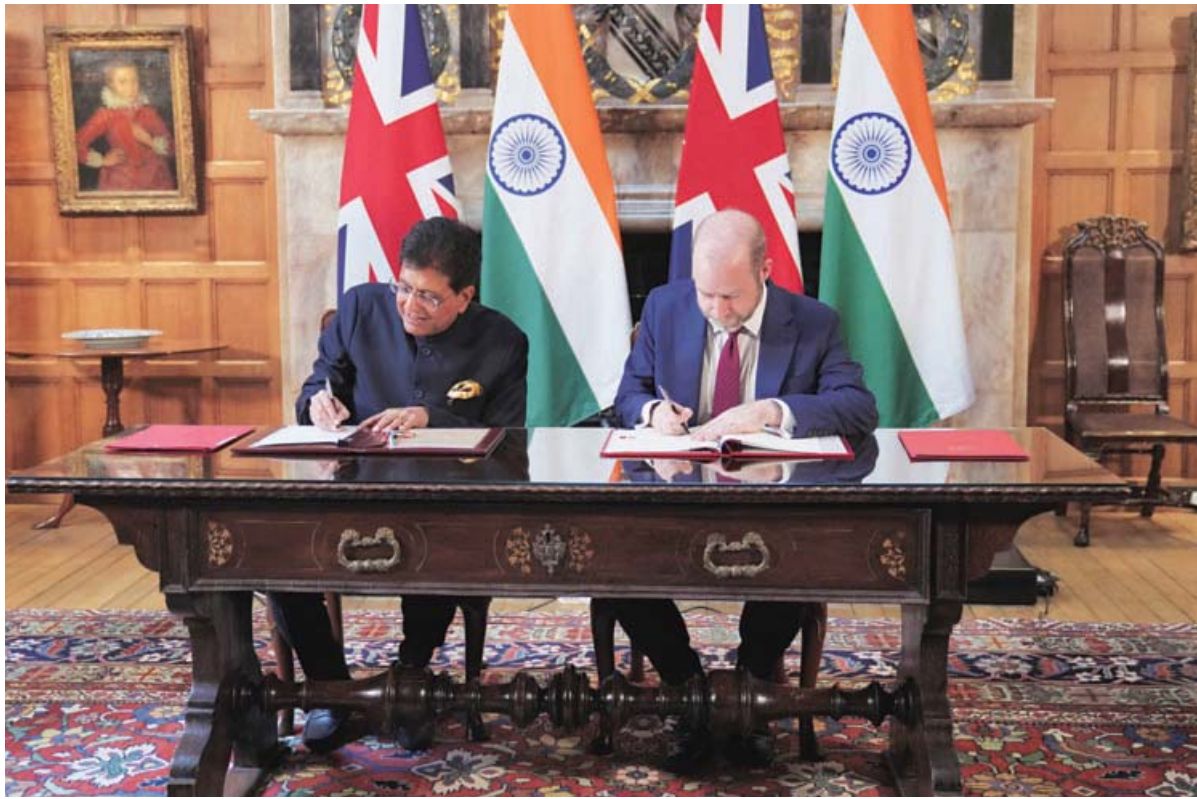
ucts, a UK-based spokesperson said: "No decisions have been made."

In a recent interview Martin Limpert, global managing director for Range Rover, had said the Defender was a "very successful" car in the Indian market, and hence it was "natural" for them to look at local production. At present, a few high-value sport vehicles of JLR are imported as completely built units (CBUs) and those will stand to benefit.

Players that sell both CKD and CBU models will stand to benefit.

Domestic carmakers like Mahindra & Mahindra and Maruti Suzuki that have European ambitions too stand to benefit. Maruti sells the eVitara in the UK.

Anish Shah, chief executive officer and managing director, Mahindra group, said: "We believe deeply in the power of such cross-border partnerships to unlock economic potential, create high-quality jobs, and accelerate progress in future-facing sectors from green mobility and clean energy to digital technologies and advanced manufacturing." As Indian industry becomes increasingly global, "we look forward to contributing meaningfully to this next chapter of UK-India cooperation".



Commerce and Industry Minister Piyush Goyal and Britain's Business and Trade Secretary Jonathan Reynolds sign a free-trade agreement at Chequers in England, on Thursday

PHOTO: REUTERS

### THE UPS AND DOWNS...



2022

JAN: TALKS LAUNCHED

APR: MODI AND THEN UK PM BORIS JOHNSON SET DIWALI/OCT DEADLINE

OCT: RISHI SUNAK BECOMES UK PM; DIWALI DEADLINE DROPPED

DEC: NEGOTIATIONS RESUME

2023

OCT: FRESH DIWALI/NO V TARGET SET; TALKS FAIL

2024

APR-JUN: TALKS PAUSED FOR INDIA ELECTIONS

MAY: UK ANNOUNCES PENDING ISSUES

NOV: MODI AND HIS NEW UK COUNTERPART KEIR STARMER MEET; AGREE TO RELAUNCH TALKS IN 2025

2025

FEB: TALKS RESUME WITH A FOCUS ON FTA, BILATERAL INVESTMENT TREATY, AND DOUBLE-TAXATION AVOIDANCE

APR: COMMERCE MINISTER PIYUSH GOYAL VISITS LONDON TO RESOLVE PENDING ISSUES

MAY: INDIA, UK ANNOUNCE FINALISATION OF THE DEAL

### SHOT IN THE ARM FOR EXPORTS

## Med device firms cautious about country of origin

Bilateral trade in pharmaceuticals and medical devices is set to receive a boost post the UK-India Free Trade Agreement (FTA), according to industry veterans.

India's imports of medical devices from the UK grew by 36 percent to ₹2,295 crore in FY24, while exports to the UK increased by 13 percent to ₹1,015 crore. Rajiv Nath, chairman and MD of Hindustan Syringes and Medical Devices (HMD) and coordinator of the Association of Indian Medical Device Industry (AiMeD), said bilateral trade would rise on both sides.

Regarding imports into India, AiMeD has emphasised the need for strict monitoring and verification of rules of origin to prevent misuse of the FTA through the potential routing of third-country products as purportedly UK-made goods. "We welcome UK-made medical products into India via this FTA," he added. Import duties levied by India were mostly at 7.5 percent, which, post-FTA, are expected to come down in a phased manner. The industry is, however, awaiting the fine print.

SOHINI DAS

### SOCIAL SECURITY NET

## Double contribution pact to smoothen ops for Indian IT firms

AVIK DAS  
Bengaluru, 24 July

India and the UK have secured an agreement on the Double Contribution Convention alongside the free trade agreement, which many believe will help smoothen the operations of Indian information technology (IT) services companies.

"It will exempt Indian workers and their employers from social security contributions in the UK for up to three years, significantly improving take-home pay and reducing costs for Indian companies," the government said on Thursday.

Commerce Minister Piyush Goyal said in a post: "The three-year exemption from social security contributions in the UK as part of the Double Contribution Convention is a significant breakthrough for Indian workers and their employers". The Indian IT services industry has a huge presence in the UK. The region is the second-largest in terms of revenue, along with Europe. Indian IT services players also send thousands of skilled Indian employees on projects to the UK.

### LEADERS SPEAK



“DUTY-FREE ACCESS FOR ABOUT 99% OF INDIAN EXPORTS UNLOCKS NEARLY \$23 BN IN OPPORTUNITIES FOR LABOUR-INTENSIVE SECTORS MARKING A NEW ERA FOR INCLUSIVE AND GENDER-EQUITABLE GROWTH”

Piyush Goyal  
Union Minister of Commerce and Industry

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“THIS MILESTONE SIGNIFICANTLY DEEPENS THE ECONOMIC AND STRATEGIC PARTNERSHIP BETWEEN THE TWO NATIONS, WHILE GIVING A TIMELY BOOST TO INDIA’S MANUFACTURING AMBITIONS”

T V Narendran  
CEO & MD, Tata Steel

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“BY LOWERING TARIFFS, EASING MARKET ACCESS, AND DEEPENING SERVICES AND INVESTMENT FLOWS, THIS LANDMARK DEAL UNLOCKS IMMENSE POTENTIAL FOR BOTH ECONOMIES”

Prashant Ruia  
Group Chief Executive, Essar Global

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“THE FTA WILL BE A WIN-WIN FOR BOTH COUNTRIES. IT WILL BOOST ECONOMIC ACTIVITY AND CREATE MANY MORE JOBS AND ENTREPRENEURSHIP OPPORTUNITIES IN BOTH COUNTRIES”

Anil Agarwal  
Chairman, Vedanta Group

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“IT’S NOT JUST A WIN FOR TRADE, BUT A BLUEPRINT FOR A MODERN, VALUES-LED PARTNERSHIP THAT PUTS INNOVATION, SUSTAINABILITY, AND INCLUSIVE GROWTH AT THE HEART OF GLOBAL COLLABORATION”

Anish Shah  
CEO & MD, Mahindra group

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### ONE STEP FORWARD

## Textiles, footwear set to stitch up billion-dollar gains from deal

SHINE JACOB  
Chennai, 24 July

The signing of the India-UK Free Trade Agreement (FTA) is expected to boost the labour-intensive Indian export sectors like textiles and footwear, among others.

According to industry estimates, the deal may bring in additional business of around ₹7,000 crore to the textile and apparel (T&A) industry in India, taking it forward to the 2030 target of \$100 billion exports. Similarly, footwear (leather and non-leather) and other leather products' trade is expected to touch \$1 billion in two years, from \$440 million now. The deal may turn advantageous for footwear brands like Clarks, Superdry, Marks & Spencer (M&S), and John Lobb that source from India.

"It has the potential to significantly transform the fortunes of the entire Indian textile sector, and provide the kind of impetus that is necessary to



The deal may bring in business of around ₹7,000 crore to the textile and apparel industry

help India realise its ambitious goal of achieving textile and apparel exports of \$100 billion by 2030," said Rakesh Mehra, chairman of the Confederation of Indian Textile Industry (CITI). Tiruppur Exporters' Association also expects that through the FTA, the share of UK exports from the textile hub to double from ₹5,000 crore or 9 per cent to around 20 per cent of the hub's total revenue.

"India's strong presence across the value chain — with readily available raw materials and intermediate goods, and minimal import dependency

— is a USP (unique selling proposition). Coupled with the duty-free advantage under the FTA, India is well-positioned to scale up exports. The industry aims to increase its UK market share from 6 per cent to 10 per cent over the next two years, unlocking an estimated ₹6,000-7,000 crore in additional business, with steady and gradual growth expected," said Prabhu Dhamodharan, convenor, Indian Texpreneurs Federation (ITF).

India is the fourth-largest supplier of textile and apparel products to the UK, with a nearly 6.6 per cent share in the country's total T&A imports. During 2024, the UK imported T&A products worth about \$27 billion, with apparel and made-ups constituting 83 per cent of the total. With about a 25 per cent share in the total T&A imports, China was the leading supplier to the UK, followed by Bangladesh and Turkey, whose market shares were 15 per cent and 8.5 per cent, respectively.

## ‘FTA with UK adds strength to India’s hands in other deals’

**Q&A** Sunil Bharti Mittal, chairman of Bharti Enterprises and co-chair of the India-UK CEO Forum, and Chandrajit Banerjee, director general at Confederation of Indian Industry (CII), spoke to Nivedita Mookerji after the signing of the India-UK free trade agreement (FTA) in Chequers (near London). Edited excerpts from a Zoom conversation:

Who's the biggest winner in this FTA?

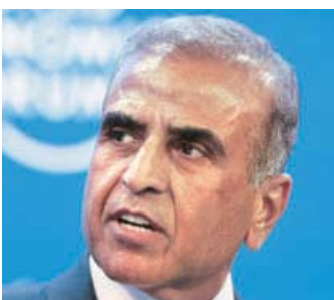
■ Sunil Bharti Mittal (SBM): It's a win win for both sides with a balanced outcome after a very long and hard negotiation. There is plenty of complementarities cutting across sectors.

I think you will now see a lot of British companies getting much more confident about investing in India, working in India, setting up their bases there. I would say it's hard for FTAs to be agreed. Your 'asks' and their 'gives', their 'asks' and our 'gives'—there's always a resistance on both sides.... But over here, you don't see any major resistance, finally,

because both have come to an agreement which is balanced.

Which sector has gained the most?

■ Chandrajit Banerjee (CB): There are many sectors from the Indian side which will benefit. From both manufacturing as well as services. But this opens up a huge market for some critical sectors, like textiles and apparels. In the pharma sector also, we are getting huge opportunities. The small and the mid size companies across the engineering area as well as auto components will also gain. Plus, the labour intensive sectors like leather



Sunil Bharti Mittal, chairman, Bharti Enterprises

and footwear will benefit.

The FTA has come right ahead of the likely deal with the United States. Will there be a ripple effect of the UK FTA on the US deal?

■ SBM: I think closing of this deal is important for India. It does add strength to India's hand. But the US is



Chandrajit Banerjee, director general, CII

altogether different. It's the largest market in the world.... It's good to have this one out of the way. Now you will have one less trade deal to work on and the negotiators will be able to concentrate more on the next one. The one with the EU is expected to be done in the next few weeks or months.

CB: In some ways, the UK FTA is a signal to the world that India has been entering into large number of trade agreements with different countries, both in the eastern hemisphere and now in the western hemisphere, and the Indian industry is competitive.

Mr Mittal, there's a full chapter on telecom in the FTA. Any significance?

■ SBM: Well, I'm delighted to see that chapter, as you can imagine. Both countries will be having open doors for telecom in terms of foreign direct investment (FDI). As you know, Vodafone had 100 per cent in India.... What the FTA will do is to take the agreed position to a hard wired position.

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