

# What does pact mean for car exports to India?

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The India-UK free-trade agreement (FTA) eliminates duties on most Indian exports to the UK, though the auto sector has been liberalised through a cautious, quota-based tariff reduction scheme spread over two decades.

The agreement reduces or eliminates tariffs on 90–99 per cent of goods traded between the two countries. For UK automakers, however, market access to India will be limited by quantity caps and phased tariff cuts, especially on petrol, diesel and electric vehicles. The deal is not yet in force and awaits ratification.

## **Why automobiles is most sensitive sector**

Automobiles have been among the toughest issues

to resolve in the India-UK FTA negotiations. At present, India imposes import tariffs above 100 per cent of fully built foreign cars. These tariffs provide high barriers to entry, protecting domestic manufacturers such as Maruti Suzuki, Mahindra, and Tata Motors from competing to secure sale market share in India since the Indian market is price-sensitive.

UK officials and auto manufacturers had pushed for drastic tariff reductions to boost exports of UK manufactured vehicles, but Indian negotiators sought long phase-in periods and limits on imported vehicles arguing that if there was a sudden influx of foreign vehicles, the Indian auto industry would be hurt and India would not achieve its domestic and EV manufacturing goals.

## **How will UK petrol, diesel, and electric cars enter India?**

Under the FTA, tariffs on UK petrol and diesel vehicles will only be reduced to 10 per cent by 2031, and even then, only for vehicles imported under a quota system.

For the highest-capacity engine cars, the first-year in-quota duty drops to 30 per cent, falling to 10 per cent by year five. Out-of-quota tariffs reduce more gradually, reaching 50 per cent by year ten. High-end carmakers like Bentley and Jaguar Land Rover (owned by Tata Motors) will face tariffs as high as 30 per cent in the early years, and lower-end cars will be subject to an even steeper 50 per cent duty before that rate drops to 10 per cent in year five of implementation.