

IT PUTS FOCUS BACK ON TRADE DISCOURSE ISSUES FOR THE FUTURE RATHER THAN ARCHIVAL ONES LIKE TARIFFS

An Ivy League FTA

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AT A TIME when global trade discussions are dominated by tariffs, the India-UK Comprehensive Economic and Trade Agreement (CETA) is a notable exception. Tariffs are certainly a part of the CETA. But it is much more than tariffs. The deal exemplifies what modern trade agreements between the world's major economies should look like, in terms of issues and coverage. The agreement helps in getting both the developed and developing worlds to focus on non-tariff issues that matter most in modern trade. And it also marks India's entry in big-ticket 21st century modern FTAs.

President Trump's fondness for tariffs, demonstrated by his calling them the most "beautiful word in the dictionary", has significantly impacted the global trade discourse by distracting the trajectory of trade liberalisation. From the time the most-favoured nation (MFN) principle of allowing reciprocal access became the key rule in global trade, tariffs began getting phased out. While World Trade Organization (WTO) members, like India, retained the flexibility of raising tariffs under specific circumstances, global trade ran mostly on MFN rates. Bilateral and regional FTAs brought down tariffs even further. The steady decline in tariffs through FTAs made them far less important subjects in trade policy than they were in the 1980s.

The trade liberalisation discourse, till the middle of the last decade, was largely focused on non-tariff market access issues, including those that became heavily significant over time, such as investment, competition policy, services, labour and environment, and digital trade. The Trump tariff tirade has pushed back this discourse by at least a couple of decades by reviving the spotlight back on tariffs. As a result, new-generation trade

issues, which are far more important for future global trade given the structural changes and evolving priorities for the world economy, are being discussed less with countries scrambling to dig up tariff lines and schedules that had sunk into oblivion due to the evaporation of tariffs.

It is in this respect that the UK-India CETA succeeds in pulling back the attention in global trade discourse on issues for the future, rather than archival ones like meaningless tariffs.

There are many reasons for the UK-India CETA to be looked at closely.

First, it is a FTA between the world's fourth (India) and sixth (UK) largest economies. The combined economic size of the FTA is \$8 trillion valued in current market GDP. The combined market includes around 2 billion people. Second, it is one of the most prominent FTAs exhibiting the complementing synergies between the Global South and North—as seen through it being India's first FTA with a major G7 member that is a mature industrialised Western economy like the UK. Third, in terms of the current strategic and geo-economic vision of the global order and the trade landscape, it marks a trade deal between two of the world's most prominent "middle powers".

India and the UK are middle powers,

in terms of their shares in global trade, which the director-general of WTO, in an enlightening speech in December 2024, had categorised as countries with shares between 1 and 4% in global trade. Following this categorisation, the Indian and British economies have combined shares of 4.5% in global goods trade and 11.4% in global commercial services trade respectively; these shares enlarge to 6% and 14% if global trade shares are measured after excluding the intra-European Union trade.

It makes India well-prepared for engaging with modern trade pacts typically hailed as 21st-century, like the Comprehensive and Progressive Trans-Pacific Partnership

There are many significant market access commitments that the FTA brings for both countries. These include, for India, easy market access for a bunch of labour-intensive exports like leather products, textile, processed foods, footwear, toys, and organic chemicals. For the UK, similar access is provided for medical devices, alcoholic beverages, electrical machinery, aircraft parts, and various food products. The UK has brought social security contribution exemptions for temporary Indian workers on par with those from most other countries. Both countries have offered strong access to professionals in each other's domestic service markets.

India has been remarkably bold in its offers in the FTA. Some key examples in

this regard are the decision to lower automobile tariffs to 10% in a staggered fashion; agreeing to effective remuneration to IP holders for compulsory licensing; offering market access to almost all key domestic professional services, including formerly protected ones like auditing and accounting; opening up the market for government procurement to UK businesses; committing to digital trade rules include on cross-border data flows and cybersecurity; agreeing to international labour standards and mutually supportive environment goals.

There are red lines that India haven't crossed. These include protecting the domestic dairy sector; legal services; dedicated investment protection rules; and the defence procurement market. However, in spite of these exceptions, the FTA marks a distinctly ambitious set of commitments for India. What it also indicates is India's growing willingness for bringing in modern and new-generation issues within the FTAs it is signing.

The UK FTA makes India well-prepared for engaging with modern trade agreements that have been typically hailed as 21st-century, such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Indeed, it will not be surprising if in the foreseeable future, India makes a strong bid for joining the CPTPP given that it has begun complying with the CPTPP's exacting standards in many areas. Coupled with the fact that it is in FTA engagement bilaterally with various CPTPP members, such as Australia, Chile, New Zealand, Japan, Canada, Singapore, Peru, and the UK, it is as close to the CPTPP as it could have been. There is no doubt over India having broken into the 21st century FTA league with the UK deal.

Views are personal