

UK-INDIA FREE TRADE AGREEMENT: A STRATEGIC CATALYST FOR BILATERAL GROWTH

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The India-UK Free Trade Agreement (FTA) that concluded on May 6, 2025, marks a pivotal moment in the bilateral relationship between the fourth and the sixth largest economies of the world. After three years and 14 rounds of intensive negotiations, the process reached its apotheosis in the form of a comprehensive economic partnership, projected to boost bilateral trade by £25.5 billion (38.8%) by 2040. The agreement delivers mutually beneficial tariff and non-tariff reductions across agri-food, industrial, and services sectors among others, boosting UK exports to India by 59.4% and Indian exports to the UK by 25%.

This document provides an overview of the facets of the FTA and its potential benefits for both nations.

Key Facets of the Deal

- **Tariff reduction/ elimination:** A central goal of the FTA is to substantially reduce or eliminate tariffs on goods traded between the UK and India, enhancing export competitiveness. India will lock in cuts on 90% of tariff lines—85% of which will become tariff-free within a decade—while the UK will eliminate tariffs on 99% of Indian exports.
- **Trade facilitation and ease of doing business:** The agreement strengthens trade logistics through faster customs clearance (within 48 hours where no physical examination required), simplified procedures, reduced paperwork, credence to electronic contracts and an accessible digital trade portal with procedures available in English. These provisions will be particularly beneficial for SMEs by lowering transaction costs and bureaucratic hurdles.
- **Services liberalisation:** The agreement seeks to liberalise trade in services, facilitating greater market access for service providers in sectors such as telecommunications, financial services, and professional services.
- **Investment promotion:** The deal will pave the way for creating a more favourable environment for investment flows between the UK and India, including measures to protect and promote investments.

- **Technology transfer:** The agreement will drive greater UK-India cooperation and investment in technology and innovation by fostering the exchange of expertise-especially in advanced manufacturing, digital trade, clean energy, and life sciences. The deal includes India's strongest-ever environmental commitments in a trade pact, opening access for UK firms to India's green energy and infrastructure market.
- **Market access:** The India-UK FTA marks a landmark breakthrough, granting UK businesses access to India's vast government procurement market-covering upwards of 40,000 tenders worth at least £38 billion annually including opportunities in high-value sectors such as transport, infrastructure, and advanced manufacturing. UK companies will, for the first time, receive exclusive treatment under India's 'Make in India' policy, allowing those with at least 20% UK content to be classified as 'Class 2 local suppliers' and bid for central government contracts-a major shift in India's traditionally protected procurement market.
- **Fairer trade environment:** The agreement creates a solid foundation for the two countries to carve out a fairer and transparent trade system by reaffirming standards in areas like sanitary and phytosanitary (SPS) measures while protecting UK standards, for instance. The UK has additionally secured India's "best ever agreement" on Rules of origin (RoO), crucial for businesses to benefit from the new lower tariffs. India, in turn, is insisting on strict RoO, particularly for the automotive sector, to prevent circumvention by third-country goods.

Advantages for India

The FTA offers Indian exporters greater access to the UK market, particularly in textiles, pharmaceuticals, and agriculture, supporting export growth, job creation, and broader economic development. It enables technology and knowledge transfer from the UK, aiding India's industrial modernisation. Furthermore, the agreement establishes an annual quota of 1,800 visas for skilled Indian professionals-including chefs and yoga instructors-enabling UK businesses to address talent shortages in the hospitality and wellness sectors while providing opportunities to Indians.

100%
Trade value from India will face zero tariffs

Enhanced access to the UK markets for Indian products

\$29.5 bn
Export value from India to the UK

Increased trade and investment flows are expected to contribute to India's overall economic growth and development



100%
Estimated increase in textile exports from India

Expansion of export-oriented industries will lead to the creation of new jobs in India

\$402 bn
Size of the digital economy in India

Facilitate the transfer of technology and know-how from the UK to India, supporting industrial modernisation

Strategic Positioning

- Strengthened economic partnership with a global financial hub
- Technology transfer and knowledge-sharing opportunities
- Platform for further advanced economic partnerships

Advantages for the UK

India's large and fast-growing economy, with a 1.4 billion market and an expanding middle class, offers UK businesses significant export and investment opportunities. Tariff reductions under the FTA are expected to boost UK exports—particularly in sectors like automobiles, machinery, and financial services—while also enhancing the global competitiveness of British firms.

60 m
Middle class consumers by 2030 in India

India's large and rapidly growing economy offers significant opportunities for UK businesses.

59.4%
Estimated increase in UK exports

Make UK exports more competitive potentially increasing exports in sectors such as automobiles, machinery, and financial services.



6th
Largest inward investor in India is the UK

Investment opportunities for UK companies in India

£38 bn
Worth of public procurement can be accessed by UK firms

Enhance the competitiveness of UK businesses in the global market

Strategic Positioning

- Diversification of trade relationships post-Brexit
- Enhanced access to one of world's fastest-growing major economies
- Competitive advantage versus other exporters in Indian market

Estimated Economic Impact

| Impact Measure | Annual value change in £ billion (applied to 2040 projections) | Percentage Change per annum (applied to 2040 projections) |
|-----------------|--|---|
| UK GDP Increase | + £4.8bn | +0.1% |
| UK Real Wages | + £2.2bn | +0.2% |

Source: Department for Business and Trade (DBT) modelling

By 2040, the FTA is estimated to increase the UK's GDP by £4.8 billion per year (a 0.1% annual increase) compared to a scenario without the agreement.

| Impact Measure | £ billion estimate (applied to 2040 projections) | Percentage Change |
|-----------------------|--|-------------------|
| UK Exports to India | + £15.7bn | +59.4% |
| UK Imports from India | + £9.8bn | +25.0% |
| Total Bilateral Trade | + £25.5bn | +38.8% |

Source: Department for Business and Trade (DBT) modelling

Sectoral Analysis: Tariff Reductions

| Sector | Current Tariff | Envisaged Reduction |
|---|----------------|---|
| UK Exports to India | | |
| Spirits (Whisky/Gin) | 150% | 75% immediately → 40% after 10 years |
| Automobiles (ICE) | 100% or more | 10% (under quota) |
| Cosmetics (general) | 10-20% | Removed immediately or phased over 10 years |
| Perfumes/Eau de Cologne | 20% | 10% after staging period |
| Advanced Manufacturing (Aircraft parts) | 10-15% | 0% immediately |
| Salmon and Cod (fresh/frozen) | 30% | 0% immediately |
| Lamb | 30-33% | 0% immediately |
| Chocolate, Biscuits, Soft Drinks | 30% | 0% after 10 years |
| Medical Devices | 10% | 0 - 5% phased over 5 years |
| India Exports to the UK | | |
| Textiles and Apparel | Up to 12% | 0% immediately |
| Leather & Footwear | Up to 16% | 0% phased over 5 years |
| Carpets | Up to 16% | 0% immediately |
| Gems and Jewellery | Up to 4% | 0% immediately (99% of exports) |
| Auto Parts | 18% | 0% immediately |
| Marine Products (including Frozen Shrimp) | 4-12% | 0% immediately |
| Electrical & Mechanical Machinery | 14% | 0% immediately |

Source: [Gov.UK](#), WITS, ICE Gate Portal, [India Briefing](#)

Alcoholic beverages:

- Tariffs on UK whisky and gin exports to India will be halved from 150% to 75% and further reduced to 40% by the tenth year of the agreement.
- For India, this will not only make premium imports more affordable and accessible for consumers but also lower input costs benefiting domestic liquor producers — especially as nearly 79% of Scotch is imported in bulk for blending or bottling locally.
- In addition, the deal is set to boost technology transfer and best practice sharing between UK and Indian alcohol companies—especially through bulk spirit imports. These imports will help expand local production while bringing in advanced processes, packaging techniques, and quality standards, driving innovation and investment in the sector.

Food & drinks:

- Lowered tariffs on UK lamb, salmon, soft drinks, biscuits, chocolates, and several other food and drink products will give significantly impetus to the on-going trade between the countries.
- Many of these products, such as chocolates, biscuits, and soft drinks, will now benefit from tariff-free or significantly reduced tariff access to the Indian market, making them more affordable for Indian consumers and opening new opportunities for UK exporters.

Automotive:

- Tariffs on high-end and luxury cars will drop from 100% to 10% under a new quota system, making UK exports significantly more competitive in the Indian market.
- This is expected to benefit UK car manufacturers and support expansion into India's premium automotive segment.

Advanced machinery:

- Tariffs on UK exports of advanced machinery to India will be reduced from 33% to zero over seven years, enhancing competitiveness for UK engineering and manufacturing firms. This will open new market opportunities for UK exporters in India's growing industrial sector.
- With UK businesses being able to access Indian government's procurement opportunities, firms specialising in high-tech manufacturing solutions can bid for such contracts supporting India's industrial modernisation.

Professional mobility & IT services:

- The Double Contributions Convention (DCC) will exempt Indian employees on temporary UK visas from making social security contributions in the UK for three years. These contributions are typically paid by the employer, though they may also be paid by the employee in which case they will save up to 20% of their salaries.
- This measure supports over 60,000 Indian IT and professional service workers annually and boosts the attractiveness of the UK for Indian talent.

Textiles and apparel:

- Elimination of tariffs on Indian textiles and garments will strengthen India's position in the UK market, driving export growth, employment, and investment in the sector.
- Indian home textiles, previously subject to 8-10% duties, will now enter the UK duty-free, increasing competitiveness for Indian exporters.

Pharmaceuticals and healthcare:

- The FTA is expected to ease regulatory approvals for generic drugs, boosting Indian pharma exports to the UK.

Digital trade:

- The FTA includes provisions to reduce barriers to digital trade, promote electronic contracts, and support cross-border data flows, benefiting both countries' digital economies.
- This will drive innovation, support SMEs, and enable UK and Indian firms to collaborate more effectively in emerging tech sectors.

Recommendations and Way Forward

For businesses:

- Analyse sector-specific opportunities based on detailed tariff schedules
- Review supply chains to maximise FTA benefits and comply with RoO requirements
- Invest in market intelligence to identify new export segments
- Prepare for competing in domestic markets.

For policymakers:

- Implement robust monitoring of agreement utilisation
- Develop business education programs to maximise adoption and preference utilisation
- Consider complementary policies to enhance competitive advantages
- Maintain ongoing dialogue to address implementation challenges.

The agreement lays a robust foundation for a new era of intensified economic engagement. Going beyond a conventional trade agreement, the ‘modern chapters’ on areas like gender and labour signal an intent to align with contemporary trade norms. Successful implementation will be crucial to realising these benefits and maximising the agreement's positive impact.

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