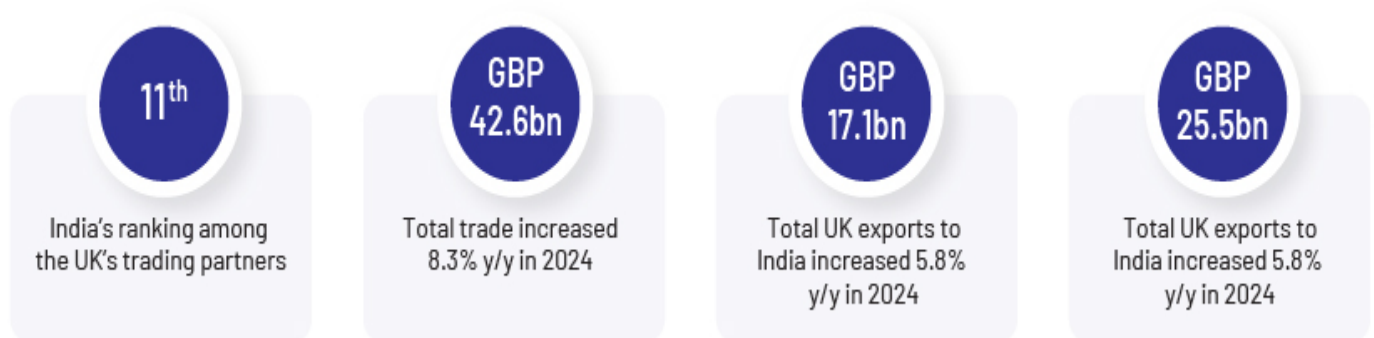


Unlocking bilateral growth: strategic insights on the UK-India Free Trade Agreement

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In an era marked by global trade realignment, India and the UK have taken a transformative step forward. On 6 May 2025, the two nations concluded a historic **UK-India Free Trade Agreement (UK-India FTA)**, solidifying a new chapter in their economic relationship. The deal is expected to boost job creation, drive exports and accelerate economic expansion in both countries. Notably, this is the UK's third-largest trade deal post-Brexit, following its agreements with Australia and Japan.



Key highlights of the agreement

1. Fewer barriers to trade in goods

The **Free Trade Agreement between India and the UK** will eliminate tariffs on 99% of Indian goods, effectively covering nearly all of India's exports to the UK. In return, 90% of British tariff lines will be significantly reduced.

Key focus sectors in the FTA	
The UK will secure phased tariff reductions for key export categories	Indian exporters will gain zero-duty access to the UK market across several sectors
<ul style="list-style-type: none">• Automobile and Mobility Solutions (>100% to 10% gradually)• High-Tech and Advanced Manufacturing• Healthcare and Medical Technologies• Green Energy and Sustainable Infrastructure• Financial and Professional Services	<ul style="list-style-type: none">• Textile and Apparel Exports• Leather Goods and Footwear Manufacturing• Agri and Marine Exports• Toys, Sports and Lifestyle Products• Gems, Jewellery and Precious Metals• Engineering Products and Auto Components• Chemicals and Industrial Intermediates• Digital Services and Knowledge Economy

2. Boost to services trade

The **Free Trade Agreement UK and India** enhances cooperation in the services sector - especially digitally delivered and professional services. Indian IT, finance and education service providers gain deeper access to the UK market. Notably, the UK is India’s second-largest destination for IT/ITeS exports, accounting for approximately 14% of total exports in this category.

3. Greater mobility for Indian professionals

The **UK India FTA** also introduces progressive mobility provisions, easing the entry of Indian professionals to the UK. These include short-term contractors, investors, intra-company transferees and even freelancers such as chefs, yoga instructors and artists. A three-year exemption on social security contributions for short-term Indian employees in the UK makes the deal even more attractive.

While the agreement outlines significant tariff reductions and improvements in market access, the detailed schedule and implementation timeline are yet to be officially released.

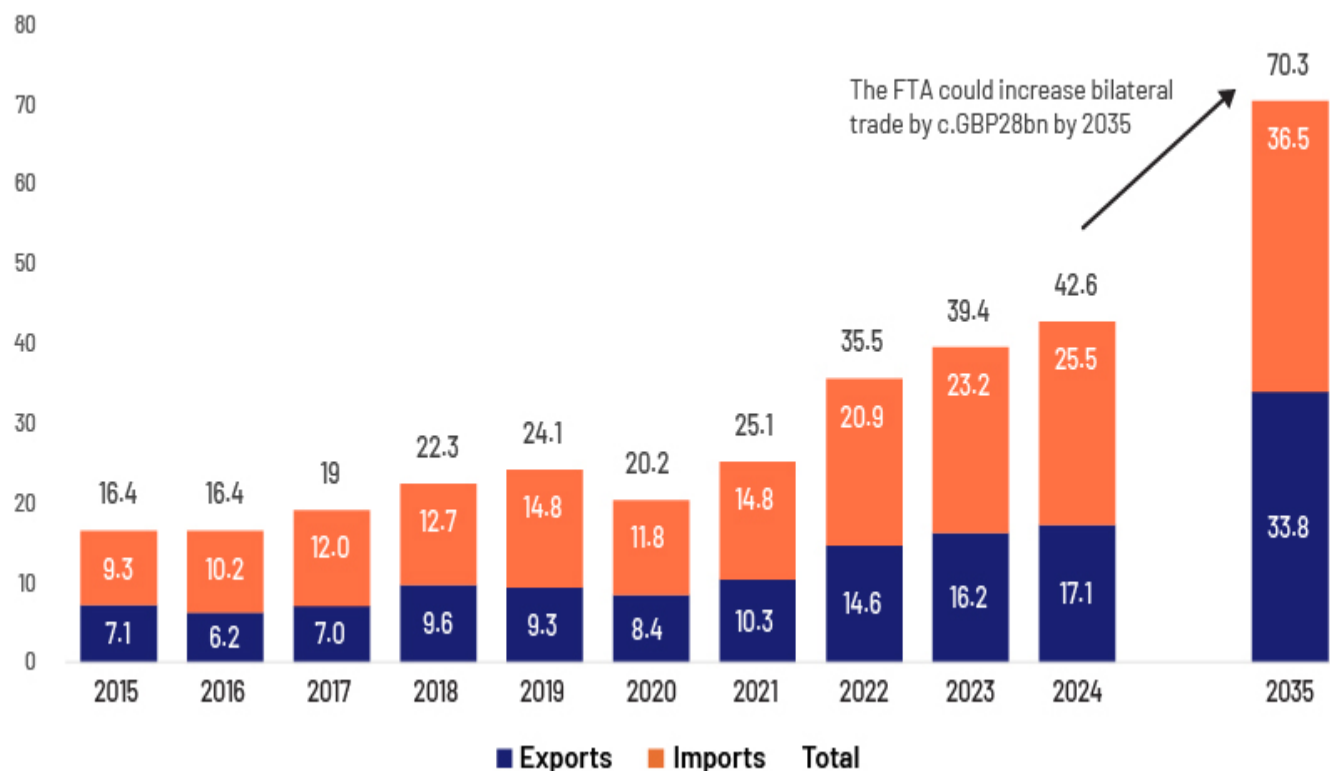
Strategic implications

- **Economic impact:** India was the UK's 11th-largest trading partner in 2024, with bilateral trade of GBP42.6bn (2.4% of UK trade). This could increase by GBP14-27.7bn by 2035, according to the UK's Department for International Trade, a 40-79% rise, with 32-41% of the gains driven by tariff liberalisation.
Furthermore, the FTA could boost the UK's GDP by GBP3.3-6.2bn (0.12-0.22%) and increase India's GDP by GBP3.7-GBP8.6bn (0.07-0.16%) by 2035.
- **Export diversification and employment generation:** The FTA enables India to diversify its export base and revitalise traditional labour-intensive sectors such as textiles and footwear, aligning with national employment objectives.
- **Market expansion:** UK companies will gain access to India's expanding middle class, with 60m consumers expected to earn over USD12,535 by 2030, enhancing long-term market opportunities.
- **Consumer benefits:** Lowering tariffs and non-tariff barriers will directly benefit consumers in both countries by enhancing affordability, improving product quality and expanding choice.
- **Geopolitical dimension:** Strengthening bilateral economic ties serves to counterbalance China's influence and reinforces strategic cooperation in the Indo-Pacific region.



The UK's trade with India

GBPbn



Source: UK-India Free Trade Agreement: The UK's Strategic Approach (Gov.uk)

Challenges and considerations

1. Transition and implementation

The FTA's effectiveness hinges on timely alignment of domestic regulatory frameworks. The agreement will be formally signed after final legal verification and internal approval by both governments.

2. Sectoral sensitivities

Agriculture and dairy remain excluded from liberalisation – India has kept sensitive items such as dairy products, apples and cheese outside tariff concessions, to protect rural livelihoods and smallholder farmers. Around 10% of tariff lines are categorised as sensitive, reflecting a cautious and calibrated trade-liberalisation strategy.

Conclusion

The UK-India FTA sets a benchmark for comprehensive and forward-looking trade agreements, blending liberalisation with strategic sectoral safeguards. By encompassing goods, services and workforce mobility, it addresses both economic and developmental goals. Although its long-term success will depend on effective execution and policy coordination,

the agreement holds promise as a model framework for future trade partnerships between emerging and advanced economies.

References:

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