



## India-UK FTA: A Game Changer in the International Trade Trajectory

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**India and the UK have signed a game-changer free trade agreement to give a great breakthrough to bilateral trade and investments. The removal of barriers to bilateral trade and investments is expected to give a big push to not only the bilateral trade trajectory but also a strong boost to economic growth and welfare in both countries. As the complementarities between the two countries range from India's labor-intensive exports to the UK and capital-intensive imports from the UK, the bilateral trade between them is expected to increase manifold in the coming times with a medium-term milestone of USD 50 billion by 2030.**

The broad objective of the historic deal is to foster a conducive business environment between India and the UK to promote bilateral trade and investments and employment creation. As MSMEs are a major growth driver of the Indian economy and startups are beginning innovation in the country, the FTA has been inked on the basis of such a growth engine of the economy. Also, as India is a labor-intensive economy, the labor-intensive sectors, such as food processing, footwear, furniture, textiles, leather, gems and jewelry, auto parts, and sports goods, have been given the highest priority. The other growth-provoking sectors, such as pharmaceuticals, green energy, information technology, and digitalization, have been given strong focus to fill new energies for the growth of bilateral trade at a much, much higher level in the coming times.

The India-UK FTA is a unique agreement India has signed with any developed nation. This agreement highlights India's strengths, as the UK, one of the most developed economies, has considered such a comprehensive deal with India. This is the UK's first such agreement with an emerging market since BREXIT. The broad-based India-UK FTA covers not only trade in goods and services but also the investments, intellectual property, e-commerce, rules of origin, customs facilitation, and the government procurement. After nearly three years of intense negotiations, Indian Prime Minister Narendra Modi and UK Prime Minister Keir Starmer signed the agreement on July 24, 2025, in London.

While signing the FTA with the UK, India has undertaken very effective and calibrated steps, gaining duty-free access to 99% of India's exports to the UK and gradually reducing tariffs on more than 90% of imports from the UK so that the tariff reduction on trade and industry is not a knee-jerk reaction and industry is ready for free competition gradually. The various sectors of the Indian economy, such as textiles, leather, gems and jewelry, marine products, pharmaceuticals, and IT hardware, will be significantly benefited with the market access in the UK and tariff removal. The UK will benefit in its exports to India of luxury cars, produce food, scotch, whisky, and sophisticated state-of-the-art machinery items.

The tariff structure is framed so meaningfully; tariffs on 42% of goods from the UK will be removed by India immediately, with the rest of the reduction in a period of 10 years. The sensitive items like cars, dairy products, and alcoholic products will see slower reductions, and some items will see longer transition periods. In the same line,

India's 99% of India's goods, including textiles, clothing, and leather, and engineering products, will be available with zero duty in the United Kingdom. This well-balanced arrangement unlocks long-term benefits from a liberalized trade regime while giving domestic industries sufficient time to adapt to the change.

The FTA has achieved revolutionary strides in the services sector. The UK has agreed to soften regulations governing the movement of Indian professionals; India will gain from preferential access for its business consulting, IT, and audiovisual industries. The agreement enables Indian graduates to obtain post-study work visas in the UK, intra-corporate transfers, and short-term business visas. Furthermore, both countries have decided to work toward mutual recognition of professional credentials in domains like law, architecture, and accounting. The deal is anticipated to boost investor confidence in both countries with the promotion of bilateral investments, ease of doing business, and a special focus on renewable energy and infrastructure segments.

As the global economic order is changing significantly and new economic areas are influencing the traditional growth dynamics, in the India-UK FTA, the e-commerce and the digital economy are given special attention. Comprehensive provisions pertaining to digital trade have been incorporated for the first time in an Indian free trade agreement. These deal with cybersecurity collaboration, data protection, and obstacles to international digital transactions.

India's bilateral trade trajectory with the UK has expanded in a steady mode. Bilateral trade has increased from USD 14.4 billion in 2017-18 to USD 23.1 billion in 2024-25. The trade balance is in favour of India, showing a trade surplus of USD 6 billion in 2024-25. However, considering their strong position in the global economy, the bilateral trade needs to be expanded manifold with the more and more trade reforms between the two countries. The FTA between India and the UK is expected to give a boost to the bilateral trade, which is expected to double by 2030.

India-UK Bilateral Trade Trajectory

Year	Exports (USD Billion)	Imports (USD Billion)	Total Trade (USD Billion)	Trade Balance (USD Billion)
2017-18	9.6	4.8	14.4	4.8
2018-19	9.3	7.5	16.8	1.8
2019-20	8.7	6.7	15.4	2.0
2020-21	8.1	4.9	13.0	3.3
2021-22	10.4	7.0	17.4	3.4
2022-23	11.4	8.9	20.3	2.5
2023-24	12.9	8.4	21.3	4.5
2024-25	14.5	8.6	23.1	5.9

Source: Compiled from Ministry of Commerce and Industry, Govt. of India.

The commodities structure between India and the UK highlights a major concentration of trade among the top 10 items of exports and imports. The top 10 items of exports, including electrical & electronic equipment, machinery, nuclear reactors, boilers, mineral fuels, oils, and distillation products; pearls, precious stones, metals & coins; pharmaceutical products; articles of apparel, not knit or crocheted; articles of apparel, knit or crocheted; iron & steel; organic chemicals; and articles of iron or steel, contribute 64% of India's total merchandise exports to the UK.

### India's top 10 items of exports to the UK

Rank	Items of exports	Export Value (USD million)
1	Electrical & electronic equipment	2,100
2	Machinery, nuclear reactors, boilers	1,580
3	Mineral fuels, oils, and distillation products	1,240
4	Pearls, precious stones, metals & coins	927
5	Pharmaceutical products	760
6	Articles of apparel, not knit or crocheted	741
7	Articles of apparel, knit or crocheted	644
8	Iron & steel	523
9	Organic chemicals	434
10	Articles of iron or steel	349
<b>Total Top 10 Items</b>		<b>9,300</b>
<b>India's total exports to UK</b>		<b>14550</b>
<b>Top 10 share in total exports to UK</b>		<b>64%</b>

Source : Ministry of Commerce & Industry, Government of India

Similarly, in the imports scenario, the top 10 items of India's imports from the UK, including pearls, precious stones, metals & coins, machinery, nuclear reactors, boilers, iron & steel, beverages, spirits & vinegar, optical, photo, technical, and medical apparatus, electrical and electronic equipment, aluminum, miscellaneous chemical products, vehicles (excluding railway & tramway), and copper imports, contribute 62% of India's total imports from the UK.

### India's top 10 items of imports from the UK

Rank	Items of Imports	Import Value (USD million)
1	Pearls, precious stones, metals & coins	1,440
2	Machinery, nuclear reactors, boilers	821
3	Iron & steel	507
4	Beverages, spirits & vinegar	439
5	Optical, photo, technical, medical apparatus	400
6	Electrical, electronic equipment	384
7	Aluminum	363
8	Miscellaneous chemical products	222

9	Vehicles (excluding railway & tramway)	207
10	Copper	173
<b>Total Top 10 Items</b>		<b>5,459</b>
<b>India's total imports from UK</b>		<b>8,800</b>
<b>Share of Total UK Goods Imports</b>		<b>62%</b>

Source: Ministry of Commerce & Industry, Government of India

The FTA between India and the UK will provide greater market access between both the countries. The trade basket between the two is expected to expand significantly in the coming times. The market access to labor-intensive products and capital-intensive products is expected to expand rapidly between India and the UK.

The FTA will help India the most in the labor-intensive sectors that deploy a lot of workers, like textiles, clothing, leather goods, handicrafts, and marine exports. These sectors hire millions of people from rural and semi-urban areas. Indian goods will be cheaper in the UK market with the removal/reduction in tariffs, which will lead to more exports and jobs along the supply chain. Both sides have formed a Joint Implementation Committee to make sure that everything goes smoothly. The agreement also says that there will be regular reviews and a formal midterm evaluation in 2027.

The FTA will be very helpful for India's micro, small, and medium-sized businesses (MSMEs) and startups. MSMEs will have an easier time getting into the UK market thanks to easier trade facilitation, fewer compliance requirements, and support for digital trade. The FTA also has rules for building capacities, getting access to public contracts, and transferring technology that are designed to help product-based MSMEs and startups that are focused on innovation. This will encourage entrepreneurship, help people to start their own businesses, make them more productive, and help India's smaller businesses become more connected with the rest of the world.

India, on the other hand, buys machinery, precious and semi-precious stones, engineering goods, medical devices, chemicals, and high-end technology from the UK. British exports like alcohol, candy, processed foods, and specialty chemicals are likely to grow now with tariff reductions. India's efforts to modernize its manufacturing base will also be facilitated by the imports from the UK for the production of high-tech goods and capital goods. The trade pact will bring easier customs procedures and the recognition of each other's standards to lower costs and make things more predictable for traders.

India and the UK have had strong and mutually beneficial investment relations. Since April 2000, the UK has invested a total of around USD 34.29 billion in India, making it one of India's top ten investors. Companies in the UK have put money into many different areas, including infrastructure, renewable energy, financial services, education, and retail segments. In terms of the number of investment projects, India is now the second-largest investor in the UK. The FTA will further strengthen this investment partnership by making it easier for investors to protect their interests, lowering compliance costs, and encouraging joint ventures.

In conclusion, the FTA strengthens the India-UK Comprehensive Strategic Partnership and improves cooperation between the two countries in areas like climate action, digital innovation, green technologies, and skill development. It strengthens the two democracies' commitment to a rules-based global trading system at a time when protectionism is on the rise. It gives the UK access to one of the fastest-growing markets in the world. The deal helps India by

making it easier for businesses to get the high-quality inputs, technologies, and capital they need to grow and build capacities to connect more strongly with the global value chains.

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