

India and UK Forge Historic Free Trade Agreement!

Overview and Timeline

The India-United Kingdom Free Trade Agreement was signed on July 24, 2025, during Prime Minister Narendra Modi's state visit to the UK, witnessed by UK Prime Minister Keir Starmer. This comprehensive bilateral treaty marks India's first major FTA with a European nation and the UK's most significant trade deal post-Brexit.

Negotiations began in January 2022, spanning 15 formal rounds over three years. An agreement in principle was reached on May 6, 2025, with full implementation expected after mid-2026 following parliamentary ratification in both countries.

Economic Targets and Projections

The agreement aims to double bilateral trade to **\$120 billion by 2030**, with long-term projections reaching **\$160 billion by 2040**. Economic impact assessments project the deal will contribute **£4.8 billion annually** to UK GDP while increasing wages by **£2.2 billion per year**. Cumulative trade value enhancement is estimated at **£25.5 billion by 2040**.

Tariff Structure and Market Access

Benefits for Indian Exports

- **99% of Indian goods** gain duty-free access to the UK market
- Coverage includes textiles, leather, gems and jewelry, footwear, engineering products, chemicals, processed foods, pharmaceuticals, and marine products
- **95% of agricultural and processed food items** receive substantial tariff reductions
- Key beneficiaries: basmati rice, spices, shrimp, tea, and pulses

Benefits for UK Exports

- **90% of UK tariff lines** receive reduced tariffs
- **85% of items** achieve duty-free status within 10 years
- **Alcoholic beverages:** Immediate tariff reduction from 150% to 75%, further declining to 40% over 10 years
- **Automotive sector:** Vehicle import tariffs reduced from over 100% to 10% under quota arrangements

- Additional benefits for medical devices, cosmetics, aerospace components, salmon, lamb, chocolate, and biscuits

Services, Investment, and Mobility

- UK firms gain access to **£38 billion** in Indian government procurement markets for non-sensitive contracts
- Social security exemptions for Indian professionals (chefs, musicians, yoga instructors) working temporarily in the UK
- Enhanced business mobility through the UK's Global Business Mobility scheme
- **Excluded areas:** Financial services, legal services, and carbon tax issues (separate bilateral investment treaty negotiations continue)

Sectoral Impact for India Key

Growth Sectors

- **Textiles and Apparel:** 30-45% export growth projected for MSMEs
- **Leather and Footwear:** Elimination of 8% average UK tariffs benefits Kanpur, Chennai, and Agra hubs
- **Gems and Jewelry:** Duty-free access to high-value UK market advantages Surat producers
- **Automotive and Engineering:** 99% tariff elimination coverage
- **Agriculture:** 20% increase in UK exports projected within three years
- **Pharmaceuticals:** Streamlined approval processes with tariff-free access

Protected Sectors and Limitations

- **Agricultural protections** maintained for dairy, sugar, chicken, and eggs
- Potential circumvention concerns through "Made-in-UK" provisions allowing third-country products processed in the UK to access Indian markets duty-free
- Expected resistance from Indian alcohol producers facing increased competition
- Administrative details regarding visa quotas may generate political debate

Strategic Implications:

For India

- Supports "Make in India" initiative with potential creation of **over 5 million export-related jobs**

- Demonstrates commitment to European economic integration while maintaining strategic autonomy
- First comprehensive FTA with a European nation

For the UK

- Major post-Brexit trade policy achievement
- Demonstrates ability to negotiate comprehensive deals with major global economies
- Enhanced strategic cooperation framework covering defense, technology, innovation, and climate finance

Implementation Framework

- **Ratification timeline:** Both parliaments must complete procedures before mid-2026
- **Monitoring requirements:** Careful oversight needed to prevent circumvention and ensure compliance
- **Future flexibility:** Agreement structure allows for adjustments and enhancements

Conclusion

The India-UK FTA represents a sophisticated commercial treaty addressing modern international trade complexities while protecting sensitive sectors. Its comprehensive approach to tariff reduction, combined with innovative services and mobility provisions, establishes new standards for bilateral trade agreements.

Success will depend on effective implementation, trade flow monitoring, and continued bilateral cooperation. Given its comprehensive provisions and substantial projected benefits, this agreement has potential to serve as a model for future bilateral arrangements and fundamentally reshape India-Europe economic relations.

The treaty's ultimate test lies in realizing the projected economic benefits while managing political and economic challenges inherent in comprehensive trade liberalization.

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