



# India International Chamber of Knowledge & Commerce (IICKC)

*Empowering Global Trade Through Knowledge Partnerships*

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## India-UK Free Trade Agreement (FTA) 2025: Key Highlights

### 1. When & What

The FTA, officially called the Comprehensive Economic and Trade Agreement (CETA), was concluded in principle on May 6, 2025, and signed on July 24, 2025, during Prime Minister Shri Narendra Modi's visit to the UK.

It marks the UK's largest bilateral deal since Brexit and India's 16th FTA.

### 2. Trade & Economic Impact

- **Trade Expansion Goal:** The aim is to double bilateral trade from current levels of about USD 60 billion (£42.6 billion) to USD 100 billion (or USD 120 billion) by 2030.
- **UK Economic Benefits:** The agreement is expected to boost GDP by £4.8 billion annually, with wage gains of £2.2 billion.
- **Bilateral Trade Boost:** SBI estimates a trade expansion of £25.5 billion by 2040.

### 3. Tariff Reductions & Market Access

#### India → UK Exports

Indian exports to the UK will receive zero-duty access for 99% of products, including textiles, footwear, marine products, sports goods, toys, gems and jewelry, auto parts, engineering goods, and organic chemicals.



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The UK also plans to eliminate tariffs on nearly 100% of its tariff lines, covering 99.6% of Indian export value.

## **UK → India Exports**

Tariffs on 90% of UK goods will be reduced. Initially, 64% will be duty-free, increasing to 85% over 10 years.

### **Key tariff changes include:**

- Whisky and gin: Tariffs will drop from 150% to 75%, and further to 40% over the next decade.
- Automobiles: Tariffs will decrease from over 100% to 10% under a quota.
- Other goods: There will be lower tariffs for cosmetics, medical devices, aerospace products, lamb, salmon, electrical machinery, soft drinks, chocolate, and biscuits.

## **4. Services, Mobility & Social Security**

- Professional Mobility: The agreement allows easier access for contractual service suppliers (CSS) and independent professionals (IP), such as IT specialists, chefs, musicians, and yoga instructors.
- Social Security (Double Contribution): Indian and UK professionals working temporarily in each other's countries can avoid paying dual national insurance contributions, potentially saving about 20% of their income.
- Digital Trade: The agreement includes commitments to facilitate digitally delivered services and streamline customs processes to improve efficiency.



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## 5. Strategic and Sectoral Benefits

### Strategic Outlook

This agreement supports India's efforts to integrate into global value chains and reduce reliance on China.

It also provides the UK with a strong partner post-Brexit and helps address supply chain vulnerabilities.

### Sectoral Opportunities

- Agriculture & Marine: Duty-free access for India's fruits, vegetables, cereals, spices, ready-to-eat items, pulses, and seafood.
- Textiles & Apparel: A more balanced competitive landscape that promotes export growth and supports MSME hubs like Tiruppur.
- Auto Components: A significant boost to Tamil Nadu's auto and electric vehicle manufacturing sectors.
- Pharma & Medical Tech: Faster market access, shared good manufacturing practice (GMP) standards, and clarity on intellectual property (IP) rights.
- Education & Start-ups: Simplified degree recognition, longer work visas, incubation support for MSMEs, and tech transfers.
- Defense & Security: The agreement encourages collaboration in defense manufacturing, cyber security, and broader strategic efforts.



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## 6. Considerations & Unknowns

- Still Pending: Specific details regarding the agreement remain unclear, particularly regarding rules on origin, quotas, services coverage, and carbon border adjustments.
- Criticism:

The deal does not include binding protections for labor, environmental, and health standards.

There are concerns in the UK about social security exemptions that may disadvantage local workers.

Human Rights & Other Issues

## Sector-wise Impact on India

- **Textiles & Apparel**
  - 99% tariff-free access to UK
  - Exports to rise by \$1.1–1.2 billion/year
  - Market share in UK to double from 6% → 12%
- **Engineering Goods & Auto Components**
  - 8–18% tariffs eliminated
  - Exports may double to \$7.5 billion by 2030
  - 15% projected annual growth



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- **Gems Jewellery Leather & Footwear**

UK duties up to 4% removed

15%+ annual export growth

Boost to MSMEs in Gujarat, Kanpur, Chennai

- **Marine Products & Processed Foods**

Seafood tariffs (4–8.5%) scrapped

95% of processed food tariff lines duty-free

20%+ Agri-export growth projected in 3 years

- **Pharma Machinery & Chemicals**

Zero tariffs on generics & devices

Faster UK market entry

Sectors like furniture, toys, sports goods benefit

- **Services & Mobility**

Easier entry for Indian professionals (chefs, yoga trainers, musicians)

Social security waivers save ₹4,000 Cr/year

- **MSMEs & Jobs**

60+ million MSMEs gain UK access

100,000+ new jobs by 2030

- **Macro Gains**

India–UK trade to double: \$15B → \$60–120B by 2030



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## **Sector-wise Impact on the UK**

- **Alcohol & Luxury Goods**

Whisky & gin tariffs drop from 150% → 40% over 10 years

£1B export gain over 5 years

1,200+ new jobs

- **Automobiles**

Luxury car duties slashed from >100% → 10%

Wider Indian market access

- **Medical Devices & Aerospace**

Tariff removals

Streamlined regulations and faster clearance

- **Cosmetics & Pharma Machinery**

Lowered import duties

Exports to India to rise 60% by 2040

- **Services & Procurement**

Access to Indian govt tenders > ₹200 Cr (worth £38B/year)

Big wins for UK consultants, architects, and tech firms

- **Macro Gains**

GDP boost of £4.8B/year

£2.2B wage increase

£25.5B total trade expansion by 2040



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## **SUMMARY**

The India-UK FTA/CETA is a significant deal that will reshape the economic relationship between both countries. It opens up many opportunities for trade, services, professional mobility, and strategic cooperation. While challenges and unresolved legal details exist, this agreement lays a strong foundation for future growth and collaboration.