



Key takeaways from
the **Trade Agreement
(FTA)** signed between
India and the **UK**

September 2025

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Executive summary

The India-UK Comprehensive Economic and Trade Agreement is a landmark deal that marks a new era in bilateral economic relations. The analysis indicates that the FTA is a major win for Indian exporters, particularly MSMEs in labour-intensive sectors such as textiles, gems, and jewellery, which now have a level playing field in the UK market. The agreement's true value extends beyond simple tariff cuts to include the dismantling of critical non-tariff barriers, the facilitation of professional mobility, and the establishment of a robust framework for digital trade and intellectual property.

The agreement serves as a strategic hedge against protectionist trade policies from other major partners, like the US, by providing a crucial alternative market and a de-risking mechanism for Indian industries. It showcases India's balanced and strategic approach to trade liberalization, prioritizing the protection of sensitive domestic sectors—such as dairy and low-end automobiles—while opening doors for high-value exports and investments.



UK Exports to India



1. Automotive & Aerospace
Automotive tariffs cut from 100% to 10% under quota



2. Cosmetics, Medical Devices & Food
Lower duties on premium UK items like lamb, salmon, chocolate, biscuits



Indian Exports to UK



1. Apparel & Textiles
9% tariff cut



2. Footwear & Auto Components
Tariffs cut by 7-8%

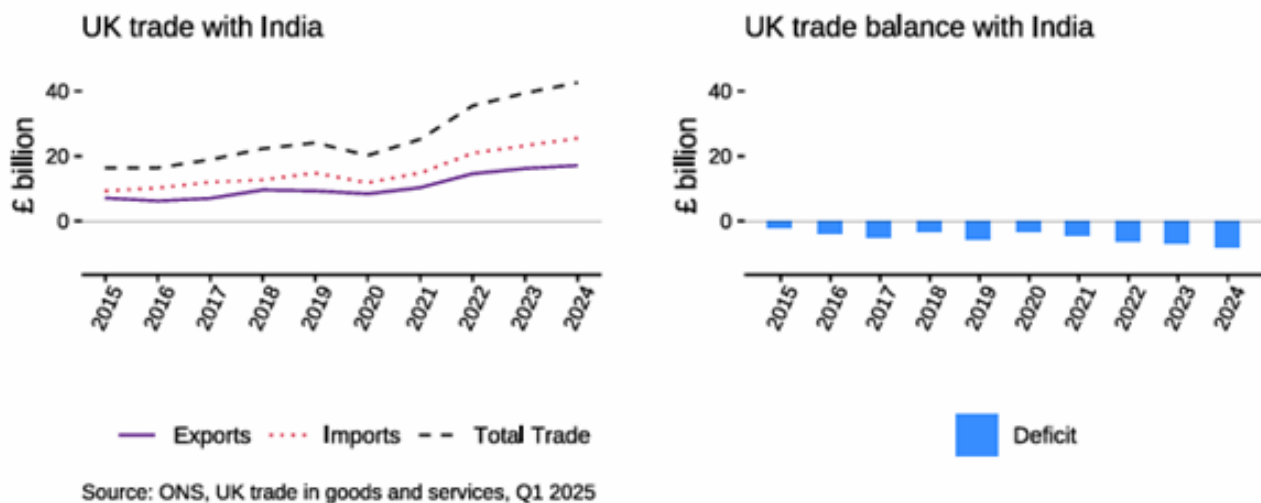


3. Marine & Chemical Products
Seafood (prawns, fish) exports to grow from \$107M to \$185M
Organic chemical exports to more than double from \$420M to \$966M

1. Background of India–UK trade flows

The signing of the India-UK Comprehensive Economic and Trade Agreement (CETA) in July 2025 marks a transformative milestone in the bilateral relationship between the two nations. The agreement's core mission is to foster economic growth by "slashing red tape and cutting tariffs, making it quicker, cheaper and easier to trade from the first day the deal comes into force".

The CETA is built on a foundation of a growing but imbalanced bilateral trade relationship. In 2024, the UK's total exports to India amounted to £17.1 billion of goods and services, while its imports from India were £25.5 billion, resulting in a trade deficit of £8.4 billion. The agreement sets out ambitious long-term goals to transform these figures.



The CETA is expected to increase bilateral trade by £25.5 billion annually in the long run. This growth is part of a broader objective to double bilateral trade to US\$120 billion by 2030 from a current level of approximately US\$56.7 billion. Projections indicate that in the long run, UK exports to India could increase by nearly 60% (£15.7 billion) while UK imports from India could rise by 25% (£9.8 billion) based on projections for 2040.

A particularly important element of the agreement is the negotiation of a reciprocal Double Contributions Convention (DCC), which will function as a standalone agreement alongside the FTA. The DCC is designed to prevent temporary workers from duplicating social security contributions in both countries, a key barrier to workforce mobility that has been addressed as part of this broader partnership. This focus on services, digital trade, and professional mobility sets a precedent for future trade models that prioritize talent and innovation

2. Dismantling of tariff and non-tariff barriers

The FTA's tariff-cutting provisions are significant. India's average tariff on UK products will be reduced from 15% to 3%, while the UK will eliminate tariffs on 99% of Indian goods. For India, this translates to an estimated tariff savings of £400 million on existing trade upon entry into force, a figure projected to rise to £900 million over the next decade as staging is completed.

Beyond tariffs, a central tenet of the CETA is its focus on dismantling non-tariff barriers, which are often the most significant impediment to modern trade. The agreement includes detailed commitments on customs cooperation and streamlined border procedures, with a commitment to endeavour to release goods from customs control within 48 hours if all requirements are met. It also reduces technical barriers to trade by simplifying the process for manufacturers to test their products against local rules. The inclusion of commitments on digital trade, such as the promotion of digital system compatibility, electronic signatures, and paperless trading, is particularly important. These measures make trade "cheaper, faster, easier and more accessible" for businesses of all sizes.

The FTA's emphasis on addressing non-tariff measures represents a fundamental shift in trade policy. The agreement recognises that in a complex, interconnected global economy, the greatest barriers to commerce are often not duties but rather administrative friction, delays, and a lack of regulatory transparency. This approach is particularly beneficial for Indian businesses, where a competitive advantage is not solely determined by price but also by the speed and reliability of supply chains. It incentivises investment in efficient logistics and digital infrastructure, enabling companies to fully capitalise on the new framework and enhance their global competitiveness.

The FTA's timing is particularly significant given the current global trade environment. The analysis of the textile sector reveals a direct causal relationship between the CETA and the punitive 50% tariffs recently imposed by the United States on Indian goods. The CETA is not merely a growth opportunity; it is a strategic response to protectionist measures that have severely impacted Indian exporters. The FTA may "cushion" losses and "offset" the negative impact from the US tariffs, marking a strategic realignment of India's textile trade landscape. It provides a robust alternative market for labour-intensive sectors like textiles, which are especially vulnerable to protectionist measures. For Indian MSMEs, which are disproportionately affected by a loss of market access and have seen production shifts halt in hubs like Tirupur and Surat due to the US tariffs, the UK FTA offers a crucial and immediate competitive lifeline.

4. Sectoral deep dive: opportunities and challenges

The agreement is expected to unlock widespread opportunities across India, enabling significant export growth and job creation in labour-intensive industries such as textiles, marine products, and gems and jewellery. It goes beyond simple tariff reductions, focusing on key sectors like innovation, digital trade, and services.

◆ 4.1. Labour-intensive industries: textiles, gems and jewellery

The Indian textiles and clothing sector previously faced a significant duty disadvantage against competitors like Bangladesh and Cambodia, which had duty-free access to the UK market. The CETA eliminates this tariff disadvantage, slashing duties from around 12% to zero and positioning India to aggressively close its market share gap with leading players. The removal of duties is expected to create immediate and substantial competitive advantages for sectors like Readymade Garments (RMG), Home Textiles, Carpets, and Handicrafts.

The gems and jewellery sector is also poised for exponential growth. With current exports to the UK valued at US\$941 million, the FTA provides access to a market where the UK imports approximately US\$3 billion worth of jewellery annually. Tariff relaxations under the agreement are projected to double India's gems and jewellery exports to the UK within the next 2-3 years. This trade boost will not only generate substantial employment but also invigorate traditional craftsmanship and foster inclusive economic growth across India.



◆ 4.2. Co-operation in services and workforce mobility

Services and IT enterprises – often SMEs or mid-sized – stand to gain from eased mobility and digital trade rules. The FTA locks in deep market access for services: India secured liberalization in 137 sub-sectors covering IT/ITES, finance, telecom, education, healthcare, legal and professional services. UK commitments allow Indian tech and consulting firms to operate more freely in the UK. Explicit visa provisions let up to ~75,000 Indian professionals (engineers, IT specialists, chefs, yogis, etc.) come visa-free and avoid double social contributions. This makes staffing client projects in the UK cheaper for Indian companies. Industry watchers project that India’s roughly US\$15–20 billion in current UK services exports could grow by ~25–50% (with e-contract recognition and mobility

The Double Contributions Convention (DCC) is a significant provision that addresses a major financial and compliance obstacle for businesses. The DCC allows Indian employees on temporary assignments in the UK for up to 36 months to continue paying social security contributions solely in India, eliminating the burden of double payments in both countries. This is a reciprocal arrangement that also benefits UK workers temporarily in India. It extends the current 52-week exemption from UK National Insurance Contributions (NICs) to 36 months for Indian employees, promoting seamless workforce mobility and providing continuity for employees’ social security records.





STATE-WISE KEY PRODUCTS GAINING FROM INDIA-UK FTA

J&K

- Pashmina shawls
- Basmati rice,
- Kashmiri Saffron
- Kashmir Willow Bats

- ## HIMACHAL PRADESH
- Basmati rice

- ## UTTARAKHAND
- Basmati rice

PUNJAB

- Jalandhar Sports Goods
- Basmati rice

UTTAR PRADESH

- Meerut Sports Goods
- Khurja Pottery
- Agra & Kanpur Leather
- Basmati rice

BIHAR

- Sikki Grass Toys
- Bhagalpur silk
- Makhana, Shahi Litchi

DELHI

- Basmati rice

TRIPURA

- Natural & Processed Rubber

RAJASTHAN

- Jaipur Gemstone Jewellery

GUJARAT

- Bandhini, Surat textiles
- Morbi Ceramics
- Surat Diamonds

WEST BENGAL

- Baluchari sarees
- Darjeeling Tea
- Natugram Dolls
- Shantiniketan Leather

MAHARASHTRA

- Kolhapuri Footwear
- IT Services

TELANGANA

- IT Services

ANDHRA PRADESH

- Araku Coffee, Turmeric

KARNATAKA

- Channapatna Toys

KERALA

- Natural & Processed Rubber
- Turmeric

TAMIL NADU

- Kanchipuram sarees, Tiruppur knitwear
- Turmeric
- Thanjavur Dolls
- Vellore Chappals
- IT Services



	Textile/Clothing
	Agri Products
	Sports Goods
	Gems & Jewellery
	Services
	Toys
	Ceramics
	Leather/Footwear
	Rubber

Source: Government of India

moneycontrol



◆ 4.3. Agriculture and marine products: high-value exports & protected interests

The FTA is expected to be a major win for Indian farmers, granting duty-free access on 95% of agricultural and processed food items to the UK market. This is projected to increase India's agricultural exports by over 20% within three years. The agreement will provide duty-free access for Indian staples like turmeric, pepper, and cardamom, and processed goods like mango pulp, pickles, and pulses. For marine products, duties on shrimp and tuna will be reduced from a range of 4.2%-8.5% to zero, unlocking rapid growth in a market where India's share is currently only 2.25% despite the UK's US\$5.4 billion marine import market.

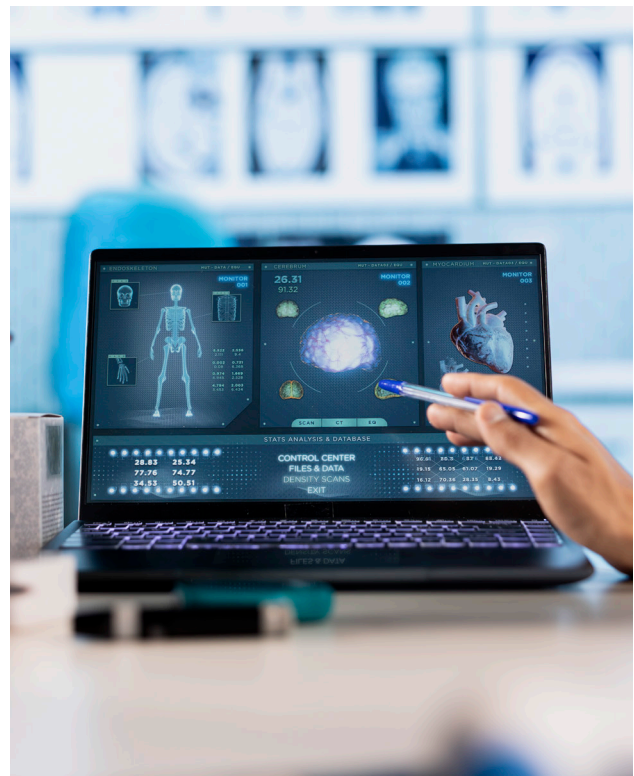
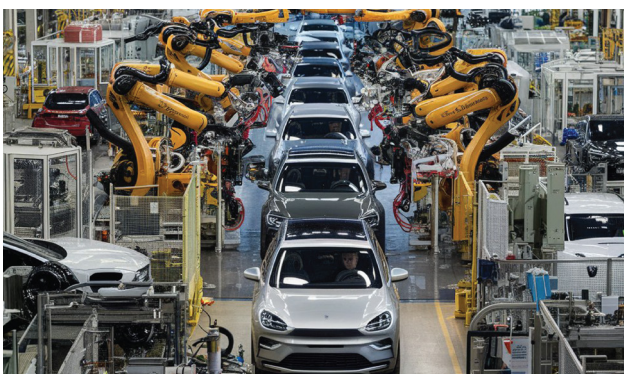
A key strategic feature of the agreement is India's careful protection of sensitive domestic sectors. The FTA notably excludes certain agricultural items from tariff concessions, including dairy products, edible oils, apples, and oats, thereby safeguarding the interests of domestic farmers and industries. This approach reveals a core principle of India's negotiating strategy: liberalize market access where it benefits Indian exporters while simultaneously protecting critical domestic industries and sectors that are in nascent stages of growth.



◆ 4.4. Advanced manufacturing: automotive, pharmaceuticals, and MedTech

While the FTA aims to reduce tariffs on UK cars, the liberalization is structured to protect India's highly price-sensitive and protected domestic auto market. The tariff reduction plan is phased over a period of 10 to 15 years and is tied to complex quotas. Tariffs on UK petrol and diesel vehicles will only be reduced to 10% by 2031, and only for vehicles imported under a quota system. The agreement notably excludes lower-priced electric vehicles (EVs), where Indian companies are investing heavily, from tariff relief. The UK automotive industry has reacted with caution, describing the deal as "watered down" and noting that high initial tariffs (30-50%) will limit short-term gains. This negotiation outcome demonstrates a strategic, rather than purely free-market, approach, balancing a desire to attract high-end foreign goods with the need to shield a critical domestic industry during a key growth phase.

In the pharmaceuticals and medical devices sectors, the FTA is poised to bolster supply chains and foster collaboration. The agreement is expected to boost India's generic drug exports to the UK, currently valued at around US\$1 billion, and pave the way for partnerships in bulk drug production and joint research. For the medical devices industry, the primary benefits lie in regulatory harmonization rather than tariff reduction, as many devices were already duty-free in the UK. The CETA establishes a framework for Mutual Recognition Agreements (MRAs), which will streamline approval processes for devices certified by Indian authorities, reducing compliance costs and delays for exporters.



◆ 4.5. Steel, plastics, and sports goods

UK tariffs on Indian steel products (formerly ~10%) are eliminated, opening a UK market (import demand ~US\$18billion) to Indian mills and MSME steel firms. India's plastics exporters (US\$500 million to UK in 2024) gain duty-free entry into UK demand for pipes, films, tableware etc. Sports equipment and toys face zero UK duties – as UK matched Indian rates – letting Indian sports-goods clusters (soccer balls, cricket gear) compete directly with China/Vietnam.



5. Challenges, cautions, and implementation and hurdles

Despite the comprehensive nature of the agreement, several challenges and implementation hurdles remain. Historically, India has faced low FTA utilisation rates due to administrative hurdles, limited awareness, and complexities in the rules of origin. Ensuring that businesses, particularly MSMEs, can fully leverage the benefits of the CETA will require proactive government support and education.

Furthermore, while implementation in India requires only a Cabinet nod, the UK's ratification process through Parliament is expected to take up to a year. This delay means that businesses awaiting the full effect of the deal must navigate a period of uncertainty. The agreement also faces ongoing geopolitical and domestic political headwinds, including separate and ongoing trade negotiations between India and the EU, which could further realign the trade landscape. Domestically, there is resistance in the UK from sectors like agriculture and trade unions, who fear being undercut by Indian exports.

6. Actionable recommendations

Based on this analysis, Indian business leaders across all segments should consider the following strategic recommendations:

- ◆ **For MSMEs:** It is imperative to act swiftly to leverage the immediate duty-free access to the UK market. Businesses should focus on investing in product quality, obtaining necessary certifications, and actively utilising the new government-provided support mechanisms and dedicated contact points to navigate the market. The opportunity to capture market share against competitors from other nations is significant, and the time to capitalise on it is now.
- ◆ **For large corporations:** The FTA provides the long-term certainty needed to de-risk supply chains and explore new investment avenues in the UK. Companies should focus on using the FTA to facilitate deeper supply chain integration and engage in joint research and development, particularly in advanced manufacturing and digital services. This approach will strengthen India's position as a global manufacturing and innovation hub.

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