InsightKnox

FROM WHISKY TO WEARABLES

SECTORAL WINNERS IN THE UK–INDIA FTA

Executive Summary

At its heart, this report shows a pragmatic, phased UK-India opening: meaningful market access and investment gains combined with safeguards and regulatory cooperation to manage risks. The headline macro takeaways are clear: the FTA raises long-run UK GDP by ~0.13% (≈£4.8bn) and India's GDP by ~0.06% (≈£5.1bn), with UK exports to India up ~59% (≈£15.7bn) and UK imports from India up ~25% (≈£9.8bn). These are the figures that frame the distributional and sectoral story that follows.

Methodologically, researchers have used CGE (GTAP) modelling, partial-equilibrium product work and gravity estimates of NTMs, with GTAP-E for emissions, to trace how tariff cuts, eased NTMs and procedural reforms ripple through output, trade and employment. Sectorally, India's gains centre on textiles, apparel and leather (an estimated £2.85bn uplift), while the UK's strengths, such as financial and business services, machinery, motor vehicles and beverages (notably Scotch whisky), see notable export lifts. The deal is asymmetric: some UK import-competing firms (textiles, footwear) face pressure and some Indian sensitive items remain protected, so regional and worker adjustment matter.

The agreement also shifts investment and jobs: tariff cuts and regulatory certainty are expected to spur FDI and technology transfer, that is, UK capital into Indian manufacturing, clean energy and digital infrastructure and Indian firms expanding in the UK. Regions such as the West Midlands, North East and Scotland (beverage jobs) and Indian states like Punjab, Tamil Nadu, Gujarat and Karnataka are highlighted as likely beneficiaries. Fiscal effects are mixed but manageable as tariff revenue falls where duties are cut, but higher GDP, wages and corporate receipts should offset much of that over time and consumers in both countries gain from lower prices and greater variety. Crucially, procedural gains (SPS/TBT cooperation, rules of origin, customs digitisation) and digital trade protections are as important as headline tariffs for real exporters and MSMEs.

Environmental, labour and social safeguards are embedded but need active stewardship: modelling points to modest incremental emissions and the report recommends joint green measures (low-carbon shipping corridors, cleaner logistics incentives, R&D collaboration) alongside ILO-aligned

labour protections and gender-focused MSME support. Scenario and sensitivity work underscore upside and downside pathways, from transformative liberalisation to shocks from geopolitics, oil prices or exchange rates, and the need for contingency tools.

Operationally, the report's recommendations are practical and financeable: for the UK: export-readiness grants, targeted retraining, safeguard thresholds and low-carbon shipping incentives; for India": subsidised credit, "UK-Ready" MSME certification and skills partnerships; jointly: a Trade & Sustainability Council, a unified digital trade portal and an Innovation & Skills Exchange Fund (£50m seed). Two questions frame next steps: how will policymakers balance clear consumer and export gains against concentrated adjustment costs in specific sectors and places? And which joint instruments (council, portal, skills fund) should be prioritised to speed implementation and make benefits inclusive? In sum, the FTA is a meaningful, manageable platform for deeper cooperation, not a silver bullet, but one whose value depends on deliberate mitigation, governance and green measures.

Introduction

The UK and India have agreed on a new Free Trade Agreement (FTA). This deal is basically a big step forward for both countries to do more business together, buy and sell each other's goods and services with fewer hurdles, and make the economic relationship even stronger.

For the UK, this FTA is a big deal because it's the biggest new trade agreement it has signed since Brexit—that's when the UK left the European Union. It represents the UK's goal to be more independent in its trade, look beyond Europe and partner with fast-growing economies like India.

For India, this agreement matches its goals to boost manufacturing at home ("Make in India"), increase exports, create jobs, and attract new investments.

Context: Post-Brexit UK Quest for New FTAs; India's "Make in India" and Export-led Growth Strategy

Following the United Kingdom's exit from the European Union, forging bilateral trade agreements became a strategic priority to redefine its global economic partnerships. The UK's ambition to become a champion of free trade in a multipolar world finds synergy with India's evolving role as a global economic powerhouse, driven by its "Make in India" initiative and export-oriented growth policies.

India, with its rapidly growing middle class and projected position as the world's third-largest economy by 2028, is an increasingly attractive partner for comprehensive economic cooperation. The FTA reflects a mutual recognition of these evolving priorities, where the UK seeks diversified trade access and India aims to expand its global trade footprint and attract high-quality investments.

Purpose: Why a Macroeconomic Lens? What Questions Are We Answering?

This report applies a macroeconomic lens to assess the systemic impact of the UK-India Free Trade Agreement on GDP, employment, investment flows, trade dynamics and sectoral development. It is not merely a descriptive overview, but a quantitative and policy-relevant analysis to answer critical questions:

- What are the long-term implications of the FTA on national income and welfare in both countries?
- Which industries and regions stand to benefit or adjust due to new trade patterns?
- How will tariff and non-tariff reforms affect bilateral capital flows, wages, and consumer welfare?
- What are the broader distributional, environmental, and geopolitical implications of this partnership?

The lens also enables scenario analysis, helping policymakers understand sensitivity to global economic shocks and assisting in designing robust mitigation and implementation strategies.

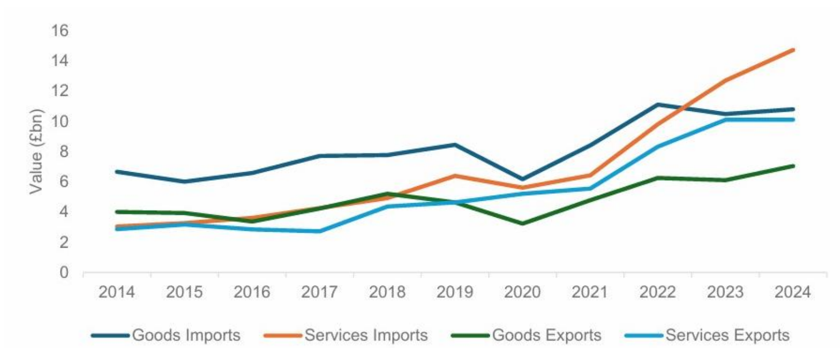
What Will the Report Cover?

1. Summary of What's in the Deal: The key things agreed by the UK and India.
2. Why This Deal is Important: The background and what both countries hope to achieve.
3. Economic Impact: How much will GDP, wages and trade increase? Who are the main winners in each country?
4. Which Sectors and Regions Win or Lose: Will some industries boom while others shrink? What about jobs in different parts of the UK and India?
5. Effects on People: How does the deal affect ordinary consumers, workers, and especially small businesses?

6. Environmental Consequences: Will more trade harm or help our climate and nature?
7. Impact on Other Countries: Will this deal affect trade with other countries, especially poorer ones?
8. How the Numbers Are Calculated: Explains the economics and modelling methods in plain English.
9. How Success Will Be Measured: What will the government look at in the years after the deal starts to check if it's working as intended?

Historical Background & Trade Relations

Pre-FTA Trade Flows



Source: ONS, UK Total Trade: all countries, seasonally adjusted, April 2025

India has been a strategic trade partner for the United Kingdom, with bilateral trade relations strengthening over the past decade. In 2024, India was the UK's **11th largest trading partner**, contributing **£42.6 billion** in total bilateral trade. UK exports to India more than doubled between 2014 and 2024, from **£6.9 billion to £17.1 billion**. Of this, goods exports rose from £4.0 billion to £7.0 billion, and services exports rose from £2.9 billion to £10.1 billion.

UK imports from India also saw a significant surge during the same period, rising from **£9.7 billion in 2014** to **£25.5 billion in 2024**. Notably, the share of services in both imports and exports has increased substantially, highlighting the growing importance of knowledge-based sectors in bilateral trade.

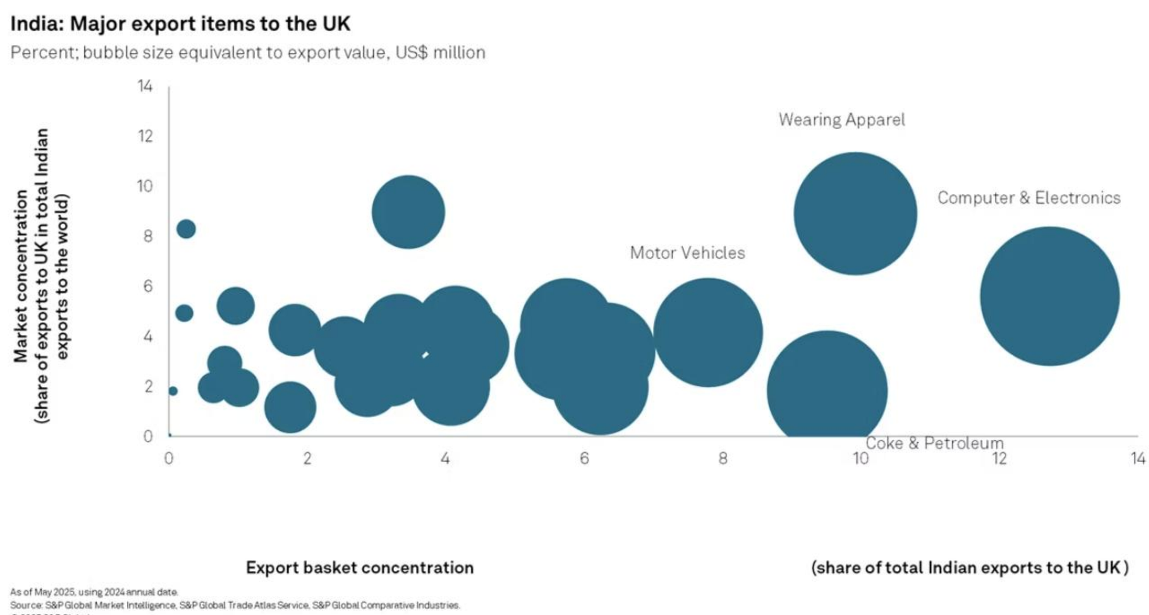
Bilateral Goods & Services Trade Trends (Last 10-15 Years)

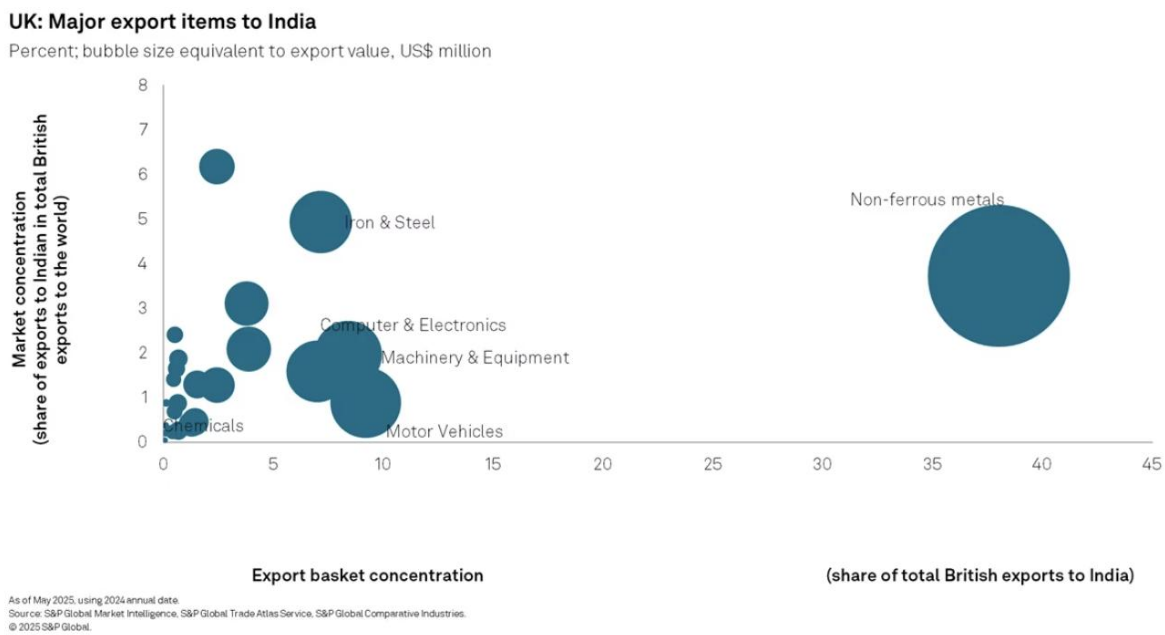
From 2014-2024:

- **Exports**: UK exports to India increased by over 148%, with services now accounting for 59% of the total exports in 2024, compared to 42% in 2014.
- **Imports**: India's share in UK imports rose from 2% to **2.8%**, with particularly strong growth between **2019-2024**.

Trade in services has shown particularly high growth, with sectors such as financial services, business services, and telecommunications gaining traction. On the goods side, UK exports of motor vehicles, machinery and chemicals remain key, while imports from India are dominated by textiles, pharmaceuticals, apparel, and electronics.

Sectoral Composition of Trade





Key sectors in bilateral trade include:

- **Textiles, Apparel & Leather**: India holds a revealed comparative advantage. UK imports in this sector rose by **£2.9 billion**, or **85%**, driven by consumer demand and tariff reductions.
- **Automobiles**: The UK's motor vehicle exports to India could grow by **310%**, benefiting from significant tariff cuts from **110% to 10%**.
- **Beverages**: Particularly whisky and gin, which are set to benefit from a drop in Indian tariffs from **150% to 40% over 10 years**.
- **Financial & Business Services**: UK exports of financial services to India were **£230 million in 2024**, and business services dominate the UK's comparative advantage sectors.
- **Machinery & Equipment**: Including pumps, engines, and scientific instruments, with an estimated GVA growth of **£527 million (1.65%)** for the UK due to FTA provisions.

Existing Agreements & Dialogues

PTA, CEPA Negotiations

- The UK and India had earlier engaged in the Technology Security Initiative, Comprehensive Strategic Partnership, and dialogues on the Technology and Security Partnership.
- Negotiations for the Free Trade Agreement (FTA) started in earnest in January 2022.
- Alongside the FTA, the UK and India agreed to negotiate a new Double Contributions Convention (DCC) to streamline taxation of investment and pension contributions.

WTO Commitments and India's RTAs

- Both countries are WTO members, and trade occurs under Most Favoured Nation (MFN) tariffs where no preferences exist.
- India has several RTAs, most notably with the UAE and Australia in recent years.
- India's WTO Services Trade Schedule is seen as relatively restrictive, with few extensive sectoral commitments beyond bound levels, limiting historic certainty for foreign services suppliers.

Macroeconomic Context (2010-2024)

GDP Growth Trajectories

- **India**: Real GDP growth averaged **6% per year (2014-2024)**, with projections of **5% CAGR** from 2021-2050. Nominal GDP stood at **£3.1 trillion in 2024**, making it the **5th largest global economy**.
- **UK**: A mature, service-dominated economy with slower growth. The FTA is expected to boost UK GDP by **0.13%** or **£4.8 billion annually**, while India is projected to gain **0.06%** or **£5.1 billion** annually.

Exchange-Rate Regimes and Currency Volatility

- India has a **managed floating exchange rate regime**, with occasional central bank interventions.
- The UK follows a **free-floating currency regime**, with GBP determined largely by market forces.
- Over the last decade, both currencies have experienced volatility, especially during COVID-19 and post-Brexit adjustments, influencing trade balances and investment decisions.

FDI Patterns & Major Investment Projects

- **UK FDI into India**: Over **£13.1 billion in 2023**, making the UK a top foreign investor.
- **India in the UK**: India was the **second-largest source of FDI projects** in the UK in 2023-24, generating **over 7,500 jobs**.
- Investment has focused on **IT services, life sciences, automotive, financial services**, and **start-up collaborations**.
- The FTA is expected to **reduce India's trade-weighted average tariffs from 15% to 3%**, and **open India's FDI regime** in key sectors like insurance, banking, and clean energy.

Macroeconomic Framework & Baseline Scenario

Macroeconomic Framework & Methodology

The assessment of the UK-India FTA relies on economic models to estimate how a change in trade policy could ripple through the economy. In practice, analysts use a combination of models: a **computable general equilibrium (CGE)** model, complementary **partial-equilibrium (PE)** models and econometric **gravity** models.

These work together to capture both the broad economy-wide effects and the detailed sectoral impacts. For example, the CGE model (based on the GTAP framework) treats every sector of the economy and all countries simultaneously: it simulates how output, consumption and trade flows reallocate when tariffs or trade barriers change. Because it uses detailed input-output tables and national accounts (via the GTAP database), the CGE model can capture *interlinkages*. For instance, how does a tariff cut on Indian car imports not only affect auto factories, but also steel suppliers and consumer spending? In short, CGE modelling provides a consistent, long-run estimate of how GDP, wages and sectoral output shift under the FTA scenario. It relies on comprehensive data that includes countries' production, bilateral trade flows and input-output tables for 2019.

By contrast, **partial equilibrium** models focus on individual markets or sectors in isolation. The UK's trade team uses PE models (like the PE-D trade model) to drill down to detailed product lines. These take observed UK and Indian trade data and apply the agreed tariff cuts or non-tariff reductions to each product category.

In accessible terms, a PE model asks: "if tariffs on whisky or textiles fall by X%, how much more would the UK export of that product rise?" It does **not** re-simulate the whole economy or change other sectors' output. It captures *only the direct effect* of tariff changes on that sector's exports or imports. This complements the CGE results by checking specific industries in fine detail (for example, estimating how UK car exports jump once Indian tariffs are cut from ~110% to 10%.)

In addition, an **econometric gravity model** is used to estimate non-tariff barriers (NTMs) to trade. Gravity models statistically explain trade flows by factors like countries' GDP, distance, common language, tariffs, etc. In this analysis, a gravity regression was run on large trade datasets to infer the *implicit* cost of NTMs in different sectors. The result is expressed as an "ad-valorem equivalent" (AVE), essentially the tariff that would have the same trade impact.

For instance, a 10% NTM AVE means that non-tariff regulation is estimated to suppress trade as much as a 10% tariff. These gravity-based NTM estimates are then fed into the CGE model alongside the tariff cuts, so that the model's inputs reflect both formal tariff reductions and easing of hidden trade barriers. In short, gravity analysis fills in the picture by quantifying policy-driven frictions (like quotas or standards) that pure tariff models would miss.

Environmental impacts are estimated by extending the economic model. A version of GTAP called **GTAP-E** incorporates energy use and CO_2 emissions. Essentially, once the CGE model computes how sector outputs change (e.g. more steel and auto production, less agriculture), GTAP-E translates those output shifts into fuel consumption and CO_2 changes by sector. It explicitly models energy as a factor of production and allows firms to substitute between fuels over time.

This way, the analysis captures whether, say, higher industrial output leads to more coal use or a shift to cleaner fuels. Separate calculations handle transport emissions: the increase in UK-India trade volume is mapped into additional shipping and flights, and standard emissions factors (per tonne-km or per passenger-km) are applied.

For example, more bilateral trade means more container shipping from Indian ports to the UK, and more air freight; using BEIS/ICAO fuel-intensity data gives an annual CO_2 estimate. At a high level, the takeaway is that the same CGE-driven changes in output are used to infer how much more (or less) carbon is emitted in energy production, manufacturing and transport due to the FTA.

Baseline ("No-FTA") Scenario

The **baseline** scenario represents what would happen *absent* a UK-India agreement. It assumes both economies evolve under current policies and global conditions, with no extra tariff cuts beyond what is already committed (e.g. through WTO).

In this world, growth continues but remains subdued in many advanced economies. For context, the IMF projects global GDP growth around 3% in 2025 (slightly down from recent years) and global inflation continuing to moderate. Under these conditions, the UK economy is forecast to grow only slowly, roughly 1.0% in 2025, as consumption and investment cool. Headline inflation in the UK, which peaked in 2022-24, is projected to fall toward the 2% target by late 2025. For example, the OBR (March 2025) sees CPI inflation easing from about 2.5% in 2024 to around 3.2% in 2025 (before dropping further thereafter). Reflecting this outlook, UK interest rates (Bank Rate) have begun to ease from their 2023 highs; the Bank of England cut its policy rate to 4.25%

by mid-2025. **Overall, in the baseline, the UK labour market would show only gradual tightening, and real wages would grow modestly in line with productivity.**

By contrast, India's baseline growth is much stronger. India has been one of the fastest-growing large economies, and even without the FTA, it is expected to expand around **6-7% per year** in 2024-25. The Reserve Bank of India projected growth of about 6.7% in 2025-26, while Indian government forecasts were in the 6.3-6.8% range. Inflation is projected to be moderate (around 4-5% annually), near the central bank's target. Indeed, the RBI saw inflation averaging roughly 4.2% in 2024-25 and has already begun cutting its policy rate (to about 6.0% by early 2025) as price pressures ease. **In the baseline, strong domestic investment and consumption would continue to support jobs and incomes**: real wage growth in India is likely to remain healthy, while unemployment stays low. (Importantly, none of these outcomes is attributed to the FTA. They reflect India's own policy stimulus, investments in infrastructure, demographic momentum and reforms that were already underway.)

Under the no-FTA baseline, **UK-India trade** would essentially continue its current trend. Both countries would import and export modestly with each other each year, simply due to rising global demand and income. The UK's exports to India (about £15-16 billion in 2022) might grow at a few percent annually, as India's middle class expands. Similarly, UK imports from India (led by garments, electronics, etc.) would rise steadily. But with the FTA absent, all existing UK-India tariffs and non-tariff barriers remain in place. For example, highly protected Indian sectors would keep high import tariffs on UK goods (India's tariff on cars would stay around 110% in some categories), so UK exporters would face no new openings.

In effect, the baseline implies that any export growth happens at the prevailing competitive disadvantage; UK manufacturers continue to pay India's existing duties and vice versa. Over time, this means UK GDP growth in the baseline is driven by domestic trends (services and industry rising with world growth) rather than trade expansion. UK employment would grow roughly in line with GDP (about 1% per year) and real wages would edge up only as inflation slows. In India's baseline, GDP growth and job creation continue apace; household incomes rise, but inflation eats into some wage gains.

Emissions and environment in the baseline

Without the FTA, neither country would see any additional emissions from the new trade volume. Instead, emissions would follow existing policy pathways. In the UK, strong climate policies are driving down CO_2: for example, UK territorial greenhouse gas emissions fell about 14% between 2019 and 2023, and continued investment in renewables and efficiency would keep that trend going. India's baseline emissions would slowly increase with economic growth, but also benefit from its growing share of renewable power. Crucially, the **FTA's incremental emissions** (identified in the impact analysis as small rises in UK CO_2 and transport emissions) would not occur in the baseline scenario. For instance, baseline projections assume ongoing decarbonisation (electric vehicles, greener shipping, etc.) and no extra UK-India flights or shipping beyond normal tourism and trade growth. In sum, the environment baseline is simply the status quo climate path, unaffected by the agreement. Any emissions savings from other policies (carbon pricing, regulations) are already built into the baseline trajectory.

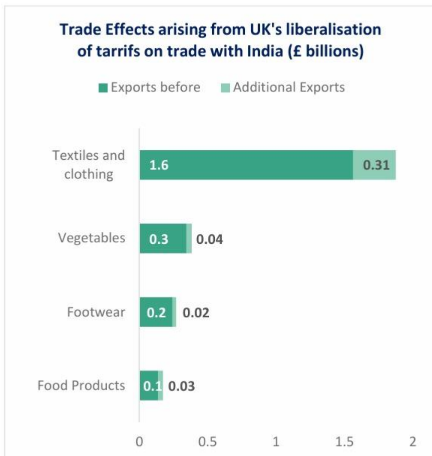
Third-country effects under the baseline are similarly muted. There are negligible impacts on most developing countries if the FTA proceeds, except for slight adverse effects on **Nepal and Sri Lanka** from diverted trade. In the no-FTA baseline, those small negative effects disappear, and Nepal and Sri Lanka simply follow their own growth trajectories. For context, World Bank forecasts (April 2025) estimate Nepal's economy growing about 4-5% in FY2025 (up from ~3.9% in FY2024), driven by agriculture and hydropower. Sri Lanka, recovering from crisis, grew ~5% in 2024 and is projected to grow around 3-4% in 2025. In the baseline world, both countries' exports to India and the UK grow with the region (with no artificial diversion), so households there gain income normally from regional demand.

In other words, absent the UK-India deal, neither Nepal nor Sri Lanka would experience the small trade shocks identified under the FTA scenario; their economies would simply expand (with all the usual fluctuations) according to domestic policies and global conditions.

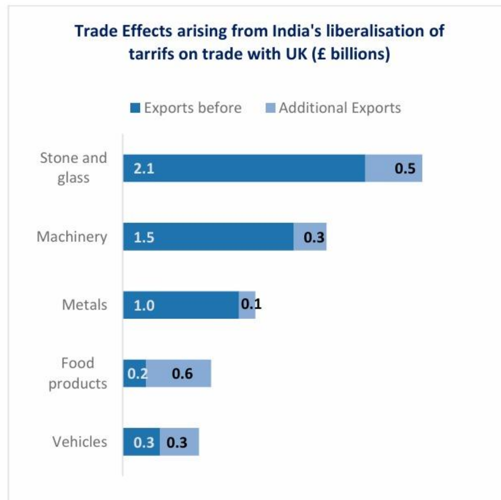
FTA Impact Assessment

Now we will assess the impact of FTA on trade, output, GDP, capital flows, labour markets, government revenue and consumer welfare.

Trade Effect



Source: IEC Internal Calculations and DIT (2022). UK-India: Free Trade Agreement, The UK's Strategic Approach



Changes in Bilateral Export/Import Volumes by Sector

The UK-India FTA significantly boosts bilateral trade, with UK exports to India projected to increase by 59% (£15.7 billion) and imports by 25% (£9.8 billion) in the long run. Sensitivity analysis suggests export growth ranges from £12.4 billion to £19.4 billion.

- Bilateral exports are expected to increase across all UK sectors. Sectors that experience the largest estimated increases in exports because of the agreement are the manufacture of machinery, equipment, chemical, rubber and plastic products
- Significant reductions in tariffs on whiskies and UK motor vehicles are expected to lead to large percentage increases in exports in these sectors. The beverage and tobacco sector (which includes whiskies) is estimated to increase exports to India by around £700 million, equivalent to a 180% increase. UK motor vehicle exports are estimated to increase by £890 million, equivalent to a 310% growth
- Bilateral imports are estimated to increase in nearly all sectors, except for a few service sectors. UK imports of textiles, apparel and leather are estimated to see the largest increase

due to India’s comparative advantage in this sector. Trade increases because of lower barriers to trade, meaning UK consumers could see cheaper and more varied access to goods and services from India

- Most sectors (16 of the 23 sectors examined) are estimated to see an increase in their gross value added (GVA) in the long run. The strongest estimated gains in GVA are concentrated within services. This reflects an increase in UK household demand for service provisions, as well as demands from industry to support their export growth to India
- The agreement provides increased certainty for UK services exporters with regards to market access. All service sectors are expected to experience an increase in exports with business services and public services’ exports estimated to rise the most in absolute terms
- Whilst some UK sectors are expected to grow in the future, some may grow marginally less than they otherwise would have done in the absence of an FTA. Sectors that could have a negative GVA impact, relative to the absence of an FTA, include manufacturing of other transport equipment and textiles, apparel and leather. Within the model, resources (capital and labour) shift towards sectors which experience greater liberalisation and away from adversely affected sectors, due to growing sectors demanding more resources. In practice, these effects are likely to be dwarfed by wider forces shaping employment and investment decisions in those sectors over the long run

Trade diversion vs Trade creation

Trade creation occurs when a free trade agreement (FTA) or similar trade liberalization reduces tariffs or non-tariff barriers (NTBs) between member countries, leading to increased trade among them. This happens because lower trade barriers make it more cost-effective for member countries to trade with each other, replacing less efficient domestic production or imports from non-member countries with cheaper imports from FTA partners.

The FTA drives substantial trade creation by reducing tariffs and non-tariff measures (NTMs), enabling the UK and India to trade more efficiently with each other.

Increased Bilateral Trade: The FTA is projected to increase UK exports to India by **59% (£15.7 billion)** and UK imports from India by **25% (£9.8 billion)** in the long run, contributing to a total bilateral trade increase of approximately **$9 billion**.

Trade diversion occurs when an FTA causes a shift in trade from a more efficient non-member country to a less efficient member country due to preferential tariff reductions.

The FTA also introduces trade diversion, particularly affecting developing countries and Least Developed Countries (LDCs), as preferential access for UK and Indian products displaces exports from non-member countries

Preference Erosion: there would be potential trade diversion for countries like **Bangladesh, Nepal, Pakistan, Sri Lanka, Indonesia, Vietnam** , particularly in competitive sectors such as **footwear**, **precious stones/metals**, and **aluminium** These countries may lose market share in the UK due to India's preferential tariff access.

Output & GDP

Long-Run GDP Impacts of the UK-India Free Trade Agreement

The UK-India Free Trade Agreement (FTA) is projected to deliver significant economic benefits for both nations in the long run, as estimated by Computable General Equilibrium (CGE) modelling. These projections compare GDP outcomes with the FTA to a baseline scenario without the agreement, using 2040 as the reference year. The estimates indicate the scale and direction of economic impacts, though they should be interpreted as indicative rather than precise due to modelling assumptions.

1. United Kingdom

The FTA is expected to enhance UK economic growth by increasing GDP by **0.13%** in the long run compared to a scenario without the agreement. This translates to an estimated GDP increase of **£4.8 billion** relative to projected 2040 levels. The growth is driven by expanded bilateral trade, with UK exports to India rising by **59% (£15.7 billion)** and imports by **25% (£9.8 billion)**, fostering specialization in sectors such as financial services, equipment, and industrial products.

2. India

For India, the FTA is projected to boost GDP by **0.06%** in the long run compared to a no-FTA baseline. This equates to an estimated GDP increase of approximately **£5.1 billion** relative to 2040 projections. The economic uplift stems from enhanced market access to the UK, particularly in sectors like textiles, chemicals, and agri-food, supported by tariff reductions and eased non-tariff measures.

Investment & Capital Flows

Beyond trade in goods and services, the FTA significantly enhances investment and capital flows between the UK and India, fostering foreign direct investment (FDI), technology transfers, and innovation partnerships.

The FTA facilitates investment and capital flows by reducing trade barriers, enhancing market access, and providing legal and regulatory clarity. Key mechanisms include:

Tariff Reductions: India eliminates tariffs on 99% of its tariff lines (covering nearly 100% of trade value), and the UK reduces tariffs on 90% of its tariff lines, with 85% becoming tariff-free within a decade. This lowers trade costs, encouraging investment in export-oriented sectors.

Professional Mobility: Provisions for contractual service suppliers, business visitors, investors, and intra-corporate transferees enhance cross-border investment by facilitating workforce mobility.

Government Procurement Access: UK businesses gain unprecedented access to India's £38 billion annual procurement market, stimulating investment in sectors like transport, healthcare, and clean energy.

United Kingdom: Investment and Capital Flow Impacts

Sectoral Investment Impacts

The FTA stimulates FDI and capital flows in key UK sectors, supported by specific provisions and trade volume increases

- **Financial and Professional Services:**

Investment Opportunities: The FTA locks in access to India's growing financial services market, with a binding foreign investment cap for insurance ensuring equal treatment for UK firms. This encourages FDI in green finance, risk management, and capital market development.

Example: UK financial services firms are well-positioned to invest in India's digital and insurance sectors, with a 22.9% export increase (£233 million) driving capital flows

Impact: The City of London and other financial hubs see increased capital inflows as UK firms expand operations in India, supported by provisions on cross-border data flows

- **Manufacturing (Machinery, Automotive, Aerospace):**

Investment Opportunities: Tariff reductions on aerospace (from 11% to 0%), automotives (from up to 110% to 10% under quotas), and electrical machinery (from up to 22% to 0% or 50% reduction) lower costs, encouraging investment in production facilities.

Example: Airbus and Rolls-Royce have secured £5 billion in contracts to deliver aircraft (over half powered by Rolls-Royce engines) to Indian airlines, driving capital investment in UK manufacturing

Regional Impact: The West Midlands and North East, with high concentrations of motor vehicles and machinery sectors, are estimated to see GVA increases of 0.13% (£190 million) and 0.12% (£70 million), respectively, reflecting localized investment growth

- **Beverages (Scotch Whisky):**

Investment Opportunities: Tariffs on UK whisky and gin are halved from 150% to 75% immediately, reducing to 40% by year 10, spurring investment in distilleries and bottling plants.

Example: The Scotch Whisky Association projects a £1 billion export increase over five years, creating 1,200 jobs and supporting long-term investment in Scotland's Speyside distilleries and Kilmalid bottling plant

Impact: Companies like Diageo and Chivas Regal plan to scale investments in production to meet India's demand, the world's largest whisky market by volume

- **Clean Energy:**

Investment Opportunities: UK businesses gain access to India's vast clean energy procurement market, supporting investments in renewables and energy storage.

Example: The UK funds a £1.8 million project with IIT Dhanbad for global digital supply chain mapping of critical minerals, enhancing investment in green technology

Impact: Capital flows into clean energy R&D and manufacturing, aligning with India's net-zero goals and the UK's Industrial and Trade Strategies

- **Healthcare and Life Sciences:**

Investment Opportunities: Tariff cuts on medical devices (e.g., ECG and X-ray machines) and generic medicines enhance market access, encouraging UK firms to invest in India's healthcare sector.

Example: Smith+Nephew plans to expand trading links in India's healthcare system, investing in innovative medical technologies. Biopanda aims to increase exports of diagnostic products, supported by reduced trade barriers

Impact: Capital flows into R&D and production facilities, boosting UK-India healthcare partnerships.

India: Investment and Capital Flow Impacts

Sectoral Investment Impacts

The FTA boosts India’s investment attractiveness by reducing UK tariffs on 99% of Indian exports and easing NTMs, encouraging capital inflows in key sectors

- **Textiles, Apparel, and Leather:**

Investment Opportunities: The 85.9% increase in UK imports (£2,854 million) drives investment in textile clusters, with duty-free access for 99.3% of marine exports like shrimp and tuna further supporting related industries

Impact: Capital flows into textile and leather production facilities, creating jobs and enhancing export capacity. The document notes significant job growth in these labor-intensive sectors .

- **Chemicals, Rubber, Plastic Products:**

Investment Opportunities: A 24.4% import increase (£541 million) and an 11.3% duty reduction on £1,163.1 million of imports encourage investment in chemical manufacturing

Impact: FDI in organic chemicals and engineering goods rises, supported by technology transfer provisions

- **IT and Digital Services:**

Investment Opportunities: The FTA’s digital trade provisions, including cross-border data flows and source code protection, attract UK investment in India’s IT sector, a global leader in services exports.

Example: Bikal Technologies’ partnership with Yotta Data Services for AI cloud adoption highlights capital flows into India’s digital infrastructure

Impact: India’s IT services see increased FDI, with a 18.4% import increase (£443 million) supporting tech hubs in Bengaluru and Hyderabad

- **Agriculture and Fisheries:**

Investment Opportunities: Duty-free access for products like tea, mangoes, grapes, spices, and marine products (e.g., shrimp, tuna) drives investment in agricultural processing and aquaculture.

Example: The UK's $5.4 billion seafood import market offers opportunities for Indian exporters, with coastal states like Andhra Pradesh and Tamil Nadu benefiting

Impact: Capital flows into modernizing agricultural supply chains, enhancing India's $36.63 billion global agricultural export capacity

- **Pharmaceuticals and Healthcare:**

Investment Opportunities: Zero tariffs on generic medicines and medical technology equipment enhance competitiveness, attracting UK investment in India's pharma sector.

Impact: Capital inflows support R&D and production in India's generics industry, with states like Gujarat and Maharashtra seeing growth 4. Challenges and Limitations

Labour Markets

United Kingdom: Labour Market Impacts

Employment Gains and Losses by Industry

The FTA drives employment changes through increased trade flows. These shifts create jobs in export-oriented sectors while exposing import-competing sectors to competition.

- **Financial and Professional Services**: A 22.9% export increase (£233 million) and guaranteed access to India's services market drive job creation in finance, legal, and consultancy services
- **Beverages (Scotch Whisky**):Tariff cuts on whisky (from 150% to 75%, then 40% by year 10) are projected to increase exports by £1 billion over five years, creating 1,200 jobs in Scotland's distilleries and bottling plants (e.g., Speyside, Kilmalid)
- **Manufacturing (Machinery, Automotive, Aerospace):** A 163.1% export increase in machinery and equipment (£3,124 million), 311.4% in motor vehicles (£894 million), and 18.8% in other transport equipment (£200 million) drive job creation in manufacturing hubs like the West Midlands (0.13% GVA increase, £190 million) and North East (0.12% GVA increase, £70 million)

Example: Airbus and Rolls-Royce's £5 billion aircraft contracts with Indian airlines create jobs in aerospace manufacturing and engineering

- **Textiles, Apparel, and Footwear**: A 45% import increase in clothing (£475 million), 40% in textiles (£175 million), and 30% in footwear (£55 million) increases competition, potentially leading to job losses in UK textile manufacturing
- **Wholesale/Retail Trade** : A 38.4% export increase (£395 million) and positive GVA growth (£551 million in other services, including trade) support jobs in trade-related services
- **Other Sectors** :Sectors like electronic equipment (68.4% export increase, £738 million) and chemicals (104.5% export increase, £1,263 million) see job growth due to export opportunities Sectors like construction (-0.3% import change) and energy (0.2% export increase, £0 million) show minimal employment changes due to limited trade impacts

India: Labour Market Impacts

Wage Impacts

The FTA is estimated to increase UK real wages by £2.2 billion annually (0.19%) when applied to 2024 levels, translating to an average increase of £65 per worker per year. Wage impacts vary by sector and skill level:

Expanding Sectors: Workers in financial services, manufacturing (e.g., machinery, automotive), and beverages experience higher wage growth due to increased export demand and productivity gains. For example, the 163.1% export increase in machinery (£3,124 million) drives demand for skilled engineers, pushing wages upward

Import-Competing Sectors: Textiles and footwear workers may face downward wage pressure due to increased Indian imports (£2,854 million in textiles)

Employment Gains and Losses by Industry

India's 25% import increase from the UK (£9.8 billion) and 99% duty-free access to UK markets drive employment growth in labour-intensive and high-growth sectors. Key impacts include:

- **Textiles, Apparel, and Leather**: An 85.9% UK import increase (£2,854 million) and zero duties (down from 16%) create significant jobs in textile clusters (e.g., Agra, Kanpur, Chennai), with projections of a 5% UK market share increase in two years). Footwear imports (£55 million, 30%) further support employment
- **Agriculture and Marine Products:** Zero tariffs on 95% of agricultural and processed food products (e.g., shrimp, tuna, tea, spices) drive a 20% export increase in three years, creating jobs in coastal states (e.g., Andhra Pradesh, Tamil Nadu) and agricultural hubs The UK's $5.4 billion seafood market offers significant opportunities
- **Chemicals and Engineering Goods** : Gains: A 24.4% UK import increase in chemicals (£541 million) and 30%-40% export growth by 2030 create jobs in organic chemicals and engineering
- **IT and Software Services** : Gains: An 18.4% UK import increase (£443 million) and digital trade provisions (e.g., cross-border data flows) support jobs in IT hubs like Bengaluru and Hyderabad. Software exports are estimated to grow 20% annually
- **Pharmaceuticals**: Zero tariffs on generic medicines and medical devices (e.g., ECG machines) drive employment in India's generics industry, with job growth in R&D and production
- **Services**: The FTA facilitates mobility for 1,800 Indian professionals annually (e.g., chefs, yoga instructors, musicians) across 36 UK service sectors, creating jobs in cultural and professional services
- **Import-Competing Sectors**: Sectors like automobiles and alcoholic beverages face increased UK imports (e.g. whisky tariffs from 150% to 40%, automotive from 110% to 10%), potentially leading to job losses in domestic production

Wage Impacts

Export-Driven Sectors: Textiles, agriculture, and IT workers see wage increases due to a 99% duty-free access to UK markets, boosting demand for labour. For example, textile exports drive wage growth in labour-intensive roles

Professional Mobility: The DCC reduces social security costs for Indian professionals in the UK, increasing net wages for temporary workers in IT, finance, and cultural services

Challenges: Import-competing sectors (e.g., automobiles) may face downward wage pressure due to UK competition, though protected sectors like dairy mitigate rural wage impacts

Government Revenues & Budgets

United Kingdom: Government Revenues and Budget Impacts

Tariff Revenue Changes

The FTA significantly reduces tariffs, impacting the UK government tariff revenues. Key changes include:

- **Tariff Reductions on Indian Imports**: The UK eliminates tariffs on 99% of Indian goods, covering nearly 100% of trade value, including clothing footwear and processed foods. The average UK tariff on Indian goods drops from 4.2% to nearly 0%
- **Revenue Loss**: The elimination of duties on £9.8 billion in additional Indian imports (25% increase) implies a significant reduction of revenue
- **Offsetting Factors**: Losses are partly offset by increased tax revenues from higher economic activity. The £4.8 billion GDP increase is estimated to generate over £1 billion annually in additional government revenue from income, corporate, and consumption taxes

Fiscal Implications

The FTA's fiscal implications extend beyond tariff revenue losses to broader budgetary impacts, including potential compensation and adjustment assistance:

Increased Tax Revenues:

- **Sectoral Contributions**: Sectors like financial services, machinery, and beverages contribute to higher corporate and income taxes due to expanded output and employment
- **Wage Growth**: A £2.2 billion annual wage increase boosts income tax and National Insurance contributions

Compensation Funds and Adjustment Assistance:

- **Bilateral Safeguard Mechanism**: The FTA includes a safeguard allowing temporary tariff reinstatement if import surges harm domestic industries (e.g., UK textiles facing £2,854 million Indian imports). This supports industry adjustment by providing time to adapt to new market conditions, potentially reducing the need for direct fiscal compensation

India: Government Revenues and Budget Impacts

Tariff Revenue Changes

The FTA significantly alters India's tariff revenues due to substantial reductions on UK imports:

- **Tariff Reductions on UK Imports**: India reduces tariffs on 90% of UK tariff lines, with 85% becoming tariff-free within 10 years, dropping the average tariff from 15% to 3% Key reductions include whisky (150% to 40%), automotive (110% to 10% under quotas), aerospace (11% to 0%), and medical devices
- **Revenue Loss**: the £15.7 billion UK export increase (59%) implies significant reductions, particularly for high-tariff sectors like beverages (£700 million, 180% growth) and motor vehicles (£890 million, 310% growth) initial UK export savings of £400 million annually, rising to £900 million after 10 years, reflecting India's foregone tariff revenue.
- **Offsetting Factors**: The 0.06% GDP increase (£5.1 billion) boosts tax revenues from income, corporate, and consumption taxes in export-oriented sectors like textiles (£2,854 million UK import increase), chemicals (£541 million), and IT (£443 million) (India's focus on labour-intensive sectors enhances employment, increasing income tax receipts (Web ID: 9).
- **Protected Sectors**: India excludes sensitive sectors like dairy, poultry, apples, and industrial goods (e.g., diamonds, smartphones) from tariff cuts, preserving tariff revenues in these areas

Fiscal Implications

India's fiscal implications include revenue gains, social security adjustments, and potential support for affected sectors:

Increased Tax Revenues:

- **Economic Growth**: The £5.1 billion GDP increase drives higher tax revenues from labour-intensive sectors like textiles, agriculture, and IT, supporting India's $1 trillion export target by 2030
- **Sectoral Contributions**: Textiles (85.9% UK import increase, £2,854 million), chemicals (24.4% increase, £541 million), and engineering goods (30–40% export growth) generate corporate and income taxes from MSMEs in hubs like Agra and Chennai
- **Investment Inflows**: The FTA's legal clarity and investor protections attract UK FDI in manufacturing and services, increasing corporate tax revenues.

Compensation Funds and Adjustment Assistance:

- **Bilateral Safeguard Mechanism**: India can temporarily reinstate tariffs if UK import surges (e.g., whisky, automobiles) harm domestic industries, reducing the need for direct fiscal compensation
- **Protected Sectors**: Exclusions for dairy, poultry, and other sensitive sectors minimize fiscal support needs for rural economies . The document notes that job growth in labour-intensive sectors mitigates adjustment costs

Welfare and Consumer Surplus Impacts

United Kingdom: Welfare and Consumer Surplus Impacts

Price Impacts for Consumers

The FTA enhances consumer welfare in the UK by reducing prices for imported goods, increasing consumer surplus through greater affordability and variety. Key impacts include:

Lower Prices for Imported Goods:

- **Textiles, Apparel, and Footwear**: Significant import growth from India, including textiles, clothing and footwear, lowers prices for these goods, benefiting consumers through affordable clothing and
- **Processed Foods and Agriculture**: Imports of processed foods and agricultural products like tea and spices reduce consumer prices for food items, enhancing access to diverse products
- **Chemicals and Consumer Goods**: Increased imports of and manufacturing n.e.c lower costs for household goods, such as plastics and personal care products
- **Consumer Benefits**: Lower prices increase consumer surplus, particularly for everyday essentials like clothing, footwear, and food. Web sources note that duty-free Indian exports enhance affordability for UK households, supporting demand for Indian MSME products like handlooms and Kolhapuri chappals
- **Variety and Quality**: The FTA's eased non-tariff measures (NTMs) ensure higher-quality Indian imports, enhancing consumer choice without significant price increases

Price Impacts for Producers

UK producers experience mixed price impacts, with export-oriented sectors benefiting from increased demand and import-competing sectors facing pressure:

Export-Oriented Sectors:

- **Financial Services**: A 22.9% export increase (£233 million) to India boosts revenues for UK financial firms, allowing stable or higher output prices due to demand growth in India's expanding market
- **Beverages (Scotch Whisky)**: A £1 billion export increase over five years enables producers like Diageo to maintain premium pricing while expanding market share in India, the world's largest whisky market by volume
- **Machinery and Automotive**: Export growth in motor vehicles supports higher output prices due to strong Indian demand, benefiting firms like Rolls-Royce and Airbus

- **Impact**: Increased export revenues allow producers to invest in innovation and maintain competitive pricing, enhancing producer surplus in these sectors.

Import-Competing Sectors:

- **Textiles and Footwear**: Significant Indian imports exert downward price pressure on UK producers, reducing profit margins in the domestic
- **Intermediate Goods**: Lower prices for imported inputs reduce production costs for UK manufacturers, enhancing competitiveness and potentially increasing producer surplus in downstream industries like electronics and pharmaceuticals

Distributional Effects Across Income Groups

The FTA's welfare impacts vary across UK income groups, driven by price reductions, wage changes, and employment shifts:

Low-Income Households:

Benefits: Lower prices for essentials like clothing, footwear, and food (e.g., textiles, processed foods) disproportionately benefit low-income households, as these goods constitute a larger share of their expenditure

Middle-Income Households:

Benefits: Middle-income households gain from lower prices and increased variety in consumer goods, as well as modest wage increases (£65 per worker annually) from expanding sectors like wholesale/retail trade

High-Income Households:

Benefits: High-income households benefit from increased investment returns in export-oriented sectors like financial services and machinery, as well as access to premium Indian imports (e.g., cultural products)

India: Welfare and Consumer Surplus Impacts

Price Impacts for Consumers

The FTA enhances Indian consumer welfare by increasing access to affordable UK goods and boosting household incomes through export-led growth:

Lower Prices for Imported Goods:

Beverages and Luxury Goods: Increased UK imports of whisky (£700 million, 180% growth) and other premium goods improve access to high-quality products, benefiting urban consumers with higher disposable

Automotive and Machinery: Imports of motor vehicles (£302 million, 65.1%) and machinery (£560 million, 45.0%) reduce prices for consumer durables, such as cars and appliances, enhancing affordability

Medical Devices and Pharmaceuticals: Duty-free UK medical equipment (e.g., ECG machines) lowers healthcare costs, improving access for consumers across income levels

Increased Consumer Expenditure: The £5.1 billion GDP increase and job growth in labour-intensive sectors like textiles boost household incomes, driving higher consumption of both domestic and imported goods

Price Impacts for Producers

Indian producers experience varied price impacts, with export-oriented sectors benefiting and import-competing sectors facing challenges:

Export-Oriented Sectors:

Textiles and Leather: A £2,854 million UK import increase (85.9%) and duty-free access for products like Kolhapuri chappals boost revenues for MSMEs in states like Tamil Nadu and Uttar Pradesh, allowing stable or higher output prices

Agriculture and Marine Products: Exports of tea, spices, and shrimp (£84 million, 18.0%) enable producers to maintain competitive pricing in the UK's $5.4 billion seafood market, enhancing producer surplus

IT and Software Services: A £443 million UK import increase (18.4%) supports India's IT sector, with firms like RedoQ leveraging investments to expand output without price reductions (Page 34, Table 4; Web ID: 15).

Import-Competing Sectors:

Automotive and Beverages: UK imports of motor vehicles and whisky exert downward price pressure on domestic producers, reducing margins in these sectors

Mitigation: India's exclusion of sensitive sectors (e.g., dairy, poultry) from tariff cuts protects producers, maintaining price stability in rural markets

Intermediate Goods: Lower prices for UK inputs (e.g., machinery, chemicals) reduce production costs for Indian manufacturers, enhancing competitiveness in textiles and pharmaceuticals, and increasing producer surplus in downstream industries

Distributional Effects Across Income Groups

The FTA's welfare impacts in India vary by income group, driven by employment, wage, and price changes:

Low-Income Households:

Benefits: Job creation in labour-intensive sectors like textiles and agriculture boosts incomes for low-income workers in rural and semi-urban areas (e.g., Punjab, Tamil Nadu), increasing their purchasing power). Lower prices for UK medical devices improve healthcare access, enhancing welfare

Middle-Income Households:

Benefits: Urban middle-class consumers gain from affordable UK imports like cars and appliances, while wage increases in textiles and IT sectors enhance disposable income

High-Income Households:

Benefits: Urban high-income consumers benefit from access to premium UK goods (e.g., whisky, financial services) and investment returns from IT and pharma sectors . High-skill workers in IT and engineering see wage premiums due to export growth and technology transfers.

United Kingdom: Regional and Sectoral Impacts

Midlands: Manufacturing Hubs

The Midlands, a key UK manufacturing hub, benefits significantly from the FTA due to its concentration of automotive, aerospace, and machinery industries.

Economic Impact: The West Midlands sees a 0.13% Gross Value Added (GVA) increase (£190 million), driven by export growth in motor vehicles and machinery).

Employment: Thousands of jobs are created in automotive and aerospace, supporting engineers, technicians, and supply chain workers.

Sectoral Growth:

Automotive: Firms like Jaguar Land Rover benefit from enhanced market access, boosting production in Solihull and Wolverhampton

Aerospace: Airbus's £5 billion contracts with Indian airlines drive job growth in engineering and supply chains

Machinery: Export growth supports firms in precision engineering, enhancing the Midlands Engine's Future of Mobility initiatives

London: Financial Centres

London, the UK's financial hub, benefits from enhanced access to India's services market, reinforcing its global financial leadership.

Economic Impact: The financial services sector sees a 22.9% export increase (£233 million), driving GVA growth in London due to its concentration of banks, consultancies, and insurance firms

Employment: Over 2,200 jobs are created UK-wide in services, with London benefiting significantly due to firms like Standard Chartered expanding operations in India

Sectoral Growth:

Financial Services: London firms gain from India's growing financial market, supported by the FTA's digital trade provisions and investor protections (Web ID: 14).

Technology and AI: Collaborations like the UK-India Tech Alliance and AI scholarships with Adani Group bolster London's fintech ecosystem (Web IDs: 5, 20).

Devolved Nations: Scotland and Wales

Scotland and Wales benefit from sectoral strengths in beverages, manufacturing, and services, with tailored economic impacts.

Scotland:

Economic Impact: Scotland's GVA increases by £190 million, driven by beverage exports (£700 million, 180% growth), particularly Scotch whisky Distilleries in Speyside and bottling plants in Dumbarton (e.g., Chivas Brothers' £100 million facility) see significant gains

Employment: Approximately 1,200 jobs are created in whisky production and supply chains, supporting rural economies

Sectoral Growth: The FTA strengthens Scotland's clean energy sector through access to India's £38 billion procurement market, benefiting firms in renewables

Wales:

Economic Impact: Wales sees a £80 million GVA increase, driven by manufacturing and services). Firms like Concrete Canvas Ltd benefit from India's infrastructure market, enhancing low-carbon concrete exports

Employment: Firstsource's new offices in South Wales create 1,000 jobs in tech and services, while TVS Supply Chain Solutions' £4 million investment adds 280 jobs

India: Regional and Sectoral Impacts

Punjab: Textile Clusters and Agricultural Exports

Punjab, a hub for textiles and agriculture, benefits from export-led growth in labour-intensive sectors.

Textile Clusters:

Economic Impact: Ludhiana's textile industry, known for woollen garments and hosiery, sees significant export growth to the UK, enhancing GVA in Punjab

Employment: Thousands of jobs are created in Ludhiana's textile clusters, benefiting low-skill workers and artisans

Sectoral Growth: Duty-free UK access strengthens Punjab's position in global textile supply chains, with Ludhiana's 15 lakh textile workers driving export revenues

Agricultural Exports:

Economic Impact: Punjab's agricultural sector benefits from increased UK demand for processed foods and crops, contributing to India's 20% agri-export growth target in three years

Employment: Job growth in farming and food processing supports rural economies, particularly for small and marginal farmers

Tamil Nadu: Textile Clusters

Tamil Nadu, a leading textile and industrial hub, sees substantial benefits from export growth and manufacturing.

Economic Impact: Tiruppur's knitwear and Coimbatore's cotton textiles drive export growth to the UK, with apparel exports enhancing price competitiveness

Employment: Major job gains in Tiruppur (apparel) and Vellore (leather) support thousands of low-skill workers, with MSMEs integrating into global value

Sectoral Growth:

Textiles: Tiruppur's knitwear hub and Erode's cotton products (e.g., bedsheets, towels) benefit from duty-free UK access, strengthening South India's textile dominance

Electronics and Automotive: Chennai's electronics corridor and automotive clusters (e.g., Hyundai, Ford) see export growth, supported by SEZs

Gujarat: Automotive Belt

Gujarat, India's automotive and industrial hub, benefits from export growth and FDI inflows.

Economic Impact: Gujarat's GSDP of ₹27.9 lakh crore in 2024-25 is bolstered by exports of auto components, chemicals, and seafood).

Employment: The FTA creates jobs in auto component manufacturing (e.g., Bharat Forge) and seafood exports from Veraval, supporting MSMEs and coastal communities

Sectoral Growth:

Automotive: Gujarat's Halol plant (MG Motor) and other clusters expand production, with exports of auto components growing significantly

Pharmaceuticals and Chemicals: Ahmedabad's pharma exports and Surat's chemical industry benefit from simplified UK market access

Seafood: Veraval's marine exports (e.g., shrimp) leverage the UK's $5.4 billion seafood market

Karnataka: IT Services

Karnataka, India's IT hub, benefits from enhanced services trade and technology partnerships.

Economic Impact: Bengaluru's machinery and electronics exports, alongside IT services (£443 million, 18.4% UK import increase), drive Karnataka's economic growth

Employment: The FTA supports thousands of high-skill jobs in Bengaluru's IT hubs, with firms like Tech Mahindra and Mphasis expanding UK operations (1,000 and 700 jobs, respectively)

Sectoral Growth:

IT Services: The FTA's digital trade provisions (e.g., cross-border data flows) enhance Bengaluru's software exports, targeting 20% annual growth (Web ID: 15).

Electronics and Pharma: Bangalore-based exporters benefit from UK demand, supported by SEZs and the Northern Powerhouse partnership

Punjab: Agricultural Exporting States

Punjab's agricultural exports, alongside its textile sector, benefit from increased UK market access.

Economic Impact: Punjab's agricultural exports, including basmati rice and processed foods, contribute to India's 20% agri-export growth target

Employment: Job growth in farming, food processing, and rural MSMEs supports small farmers and low-skill workers, aligning with inclusive growth goals

Analysis of Regulations and Non-Tariff Barriers

This chapter highlights the key regulatory frameworks and non-tariff barriers shaping trade between India and the UK. Beyond tariffs, the UK-India FTA introduces several measures to reduce procedural friction and align regulatory standards.

Sanitary and Phytosanitary (SPS) Actions:

SPS measures protect health by setting rules for food safety, animal and plant health. Historically, differences in India and the UK's SPS standards, such as permissible pesticide residues, maximum antibiotic levels in meat, and quarantine requirements, have delayed shipments and increased costs for exporters. To address this, the FTA introduces harmonization efforts, mutual recognition agreements for testing and certifications, and provisions for coordinated sanitary inspections. These steps aim to facilitate faster clearance for agricultural goods like dairy, seafood, and fresh fruits, supporting key Indian export sectors.

Technical Barriers to Trade (TBT):

Divergences in technical regulations on products like textiles, automotive components, pharmaceuticals, and electronics impose duplicative testing, labelling and certification compliance costs on traders. The agreement introduces regulatory cooperation to promote the adoption of international standards and streamline conformity assessment procedures. This includes recognition of testing labs, simplifying product registration, and reducing redundant inspections, thus lowering the cost and time taken for market entry for businesses on both sides.

Rules of Origin & Customs Procedures:

The FTA secures India's "best ever" rules of origin, specifying that goods must be wholly obtained or substantially transformed within either country to qualify for tariff benefits. Simplified processes like exporter self-certification, allowance for small shipments without origin proofs, and reliance on importer knowledge ease trade flows. Digitization of customs through a digital single window system, risk-based controls, and commitments to release goods within 48 hours further streamline logistics, particularly benefiting small and medium-sized enterprises by minimizing delays and compliance burdens.

Additional Regulatory Developments:

- The agreement incorporates commitments to maintain transparent, non-discriminatory customs procedures and offers duty deferral options for eligible traders.
- The FTA also introduces provisions on data protection, digital trade facilitation, and limits on forced transfer of source codes, safeguarding intellectual property and promoting trust in e-commerce and digital services trade.
- Enhanced recognition of professional qualifications for UK and Indian service providers is envisaged, facilitating the movement of skilled workers and business professionals.

Social, Labour and Environmental Issues

This chapter stresses the critical importance of embedding social equity, labor protections, and environmental sustainability into the trade framework.

Environmental Standards and Carbon Footprint:

The UK-India FTA commits both parties to uphold their environmental laws without dilution for competitiveness. Provisions encourage collaboration on reducing greenhouse gas emissions, supporting renewable energy development, and promoting sustainable production methods in sectors like clean technology, transport, and the circular economy. Shared initiatives for green technology exchange and joint climate action projects aim to mitigate the environmental impact of increased trade volumes while aligning with global climate goals.

Labor Rights and Social Safeguards:

Crucial labour protections are anchored in adherence to ILO core conventions, including prohibitions on forced labour, child labour, and discrimination, alongside safeguarding workers' rights to organize and bargain collectively. The FTA emphasizes cooperative measures for improving occupational health and safety standards, workforce upskilling, and social protection support for workers facing adjustment challenges due to trade-induced shifts. These efforts aim to protect vulnerable groups and maintain fair labour conditions.

Gender Impacts:

Recognizing the significant role of women in sectors such as textiles, agriculture, and IT services, where female labor predominates, the FTA contains provisions to advance gender equality. Targeted capacity building, access to finance, and market entry assistance for women-led micro, small, and medium enterprises (MSMEs) are promoted to enhance their competitiveness and integration into global value chains. The agreement fosters inclusive trade policies that aim to reduce gender disparities and open economic opportunities for women entrepreneurs and workers.

Scenario Analysis and Future Outlook

This chapter explores potential development trajectories for the UK-India trade partnership, evaluating opportunities, risks, and economic sensitivities.

Optimistic Scenario:

Should the FTA deepen liberalization over time, extending into services (financial, telecommunications, professional), investment protection, and government procurement, the economic gains could be substantial. Estimates project bilateral trade could expand from current levels of approximately $35 billion to over $120 billion by 2030. Such growth is expected to accelerate FDI inflows (potentially increasing annually by 10-15%), facilitate technology transfer, and enhance productivity across sectors. The inclusion of robust digital trade provisions also promises to unlock new e-commerce and fintech collaboration opportunities.

Baseline Scenario:

Assuming full and timely implementation of the current agreement, the projected reduction in tariffs on over 90% of goods, streamlined customs processes, and enhanced services market access will support steady GDP growth enhancements of 0.2-0.5% annually for both economies. Employment gains are expected mostly in manufacturing, IT, textiles, and agriculture, with productivity improvements fueled by capital investments and regulatory reforms. Small and medium enterprises will benefit directly from simplified market entry protocols and dedicated governmental support frameworks.

Downside Risks:

Risks loom from geopolitical tensions (including global supply chain disruptions), a possible worldwide recession, and resurgence of protectionist policies, which could reduce trade flows by an estimated 10-20% compared to baseline projections. Currency volatility and spikes in commodity prices, especially oil, also pose threats that could depress investment appetite and consumer demand.

Sensitivity Analysis:

Modelling shows a 10% rise in oil prices could lower trade volume growth by 3-4%, while a 5% depreciation of the Indian Rupee against the Pound Sterling might boost Indian export competitiveness but raise import costs for India. Such findings highlight the necessity for adaptive policy tools such as exchange rate monitoring, strategic fuel reserves, and fiscal contingency planning to safeguard sustained benefits under varying external conditions.

This enhanced analysis reflects the multifaceted regulatory advancements, strengthened social and environmental commitments, and comprehensive scenario planning embedded in the UK-India FTA, positioning the partnership for resilient and inclusive economic growth.

Reaction of other Countries to the deal

United States

Washington's focus has largely been on its own simmering trade tensions with India, most recently a 50 percent tariff on key Indian imports, so White House commentary on the UK-India deal has been muted. That said, U.S. officials and analysts have noted that Britain's ability to conclude an FTA of this scale so soon after Brexit sends a signal: India is diversifying its trade portfolio and partners will compete to lock in lower tariffs and market access. As one Economic Times commentary observed, the UK-India pact "carries a clear message for Trump's tariff-first approach," underscoring that patient, mutually respectful negotiation can yield durable benefits, unlike the more coercive U.S. tactics of recent years.

European Union

Brussels has greeted the deal with polite congratulations. EU leaders long ago signalled that they, too, want a comprehensive FTA with India by year-end, but there's also a carefully voiced reminder that the U.K. shouldn't forget its nearest market. Campaign groups in the U.K. have welcomed the India agreement, yet immediately stressed that "our voters still expect a common-sense deal with the EU" before celebrating too loudly. Behind the scenes, European trade negotiators see London's breakthrough as both inspiration (proof that an India deal is achievable) and pressure to up their own game.

China

Beijing's public statements on the UK–India FTA have been restrained, officials mostly focus on

U.S.-India tariff rows, but Chinese analysts have flagged the broader trend: New Delhi is purposefully reducing its economic dependence on its northern neighbour. As one recent analysis put it, India's agreement with the U.K. "reflects its strategy of diversifying its trade relationships and reducing its reliance on China, with whom its political relations are already strained". In private, some in Beijing worry that deepening Western ties could bolster India's bargaining power in future China-India negotiations.

Common Misconceptions regarding the deal

Many discussions around the UK-India trade deal have been coloured by misunderstandings that can obscure what it actually does, and doesn't, deliver. Here are some of the most persistent myths:

"It'll cost the UK hundreds of millions every year"

A frequent refrain is that exempting certain Indian workers from National Insurance Contributions (NICs) for up to three years will blow a massive hole in the Treasury's budget, some outlets even put the figure as high as £200 million per year. In reality, this exemption is part of a reciprocal Double Contributions Convention designed to prevent dual social-security payments for workers moving between India and the UK. Similar arrangements already exist with more than 50 countries, and the number of beneficiaries under this deal is capped in the low thousands, limiting the net fiscal impact far below the headline figures often cited.

"It opens the floodgates to Indian migrants"

Some critics warn of an unrestricted influx of Indian professionals "taking British jobs." The agreement, however, only expands the Global Business Mobility Visa categories from 15 to 33 and permits just 1,800 additional visas annually for specific roles (for example, intra-company transferees and specialists). Moreover, there are strict time limits on those visas. This isn't a general migration route but a tightly managed framework for short-term business mobility.

"All tariffs are slashed immediately"

It’s often assumed that the deal brings instant zero-tariff access across the board. In truth, reductions are gradual and selective. For instance, duties on Scotch whisky and Indian gin, which currently stand at 150 percent, will only halve to 75 percent immediately, then fall further to 40 percent over a period of up to ten years. Many other agricultural and industrial levies also follow phased schedules rather than outright abolition.

“UK service firms finally get full entry to India’s markets”

There’s a notion that financial, legal and other high-value UK services will enjoy sweeping new freedoms. Yet most politically sensitive sectors, particularly banking, insurance and legal services, remain largely off-limits in this agreement. The focus is squarely on goods, with services liberalization explicitly left to future rounds of negotiation. So while the deal is a landmark, it stops well short of comprehensive service-sector opening.

Policy Recommendations

For the UK

The FTA opens up a significant opportunity for UK services exporters: financial, business-related and digital services are projected to grow by around 23% (roughly £233 million) in exports to India. **To capitalize on this, the UK government should roll out tailored export-readiness grants and “market immersion” bootcamps, especially in fintech, legal and creative sectors**, ensuring that trade promotion teams actively engage with tier-2 Indian cities such as Ahmedabad and Pune.

At the same time, domestic firms facing stiffer import competition, particularly in textiles and footwear, where imports could rise by as much as 45%, will need support to pivot. Expanding UK Export Finance guarantees to underwrite diversification into higher-margin or niche product lines (for example, technical textiles), alongside locally delivered retraining programmes in regions such as the Midlands and North East, will help workers transition into advanced manufacturing and digital-textile roles.

Moreover, the FTA's safeguard mechanism offers a safety net against sudden import surges. The UK should define clear, transparent surge-thresholds by the end of 2025 and publish regular "early warning" import data. This will give businesses the lead time to engage policymakers if relief measures, like temporary tariff reinstatement, become necessary.

Finally, **recognising the small but real environmental impact of increased trade**, the government could introduce tax credits or grants for exporters who choose low-carbon shipping options (such as biofuel bunkering) and accelerate R&D partnerships between British clean-tech firms and Indian ports to develop electrified container-terminal solutions.

For India

Indian MSMEs, especially in textiles, apparel and leather, stand to gain the most, with imports into the UK expected to rise by about £2.85 billion (+85.9%). To seize this, New Delhi should expand access to subsidised credit for factory modernisation (think automated looms and dye-house upgrades) and launch a "UK Ready" certification programme bundling quality assurance, packaging and logistics training for small exporters.

To underpin the sectors poised for job growth, textiles, fisheries, IT and pharmaceuticals, India could partner with UK universities on certificate courses in "textile innovation" and "biotech manufacturing," offering stipends to women-led MSMEs in hubs like Coimbatore and Kanpur.

Finally, while India has prudently excluded dairy and poultry to protect rural livelihoods, it should use the FTA's safeguard clause to revisit tariffs if small dairy cooperatives face undue pressure, and simultaneously chart a "beyond garments" export roadmap, identifying five new high-potential sectors (for instance, specialty chemicals or organic foods) over the next five years.

Joint Actions

To ensure that gains are sustainable and inclusive, the UK and India should establish a bilateral Trade & Sustainability Council, meeting twice a year at the ministerial level. This body would monitor economic, social and environmental outcomes, focusing in particular on green-shipping corridors (linking UK and Indian ports with low-emission vessels) and joint labour-rights capacity building to uphold ILO standards. Complementing this, a unified digital trade portal, where exporters can self-certify origin, submit SPS/TBT documents and track shipments in real time, would drastically reduce procedural friction on both sides.

Finally, a jointly funded “Innovation and Skills Exchange Fund” could seed R&D into clean energy, agri-tech and advanced manufacturing (with an initial £50 million equally shared and matched by private co-investment), governed by a UK-India board with clear IP-sharing rules. Paired with short-term fellowships allowing UK sustainability auditors or data analysts to embed in Indian firms and vice versa for Indian specialists in UK SMEs. This “Future Skills Exchange” would fast-track knowledge transfer, strengthen cross-cultural networks and help both economies adapt to evolving trade dynamics.