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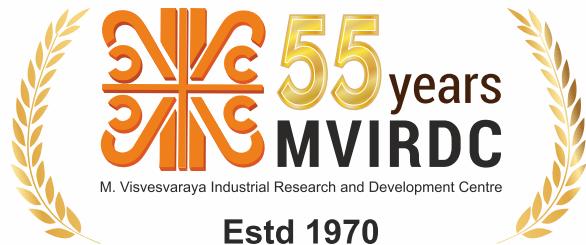


MViRDC World Trade Center Mumbai

Report on

INDIA-UK FTA

2025



Bharat Ratna Sir M. Visvesvaraya

(15 September, 1860 - 14 April, 1962)

FIFTY FIVE YEARS AND COUNTING

M. Visvesvaraya Industrial Research and Development Centre (MVISVRC) is a non-profit company registered and licensed under Section 25 of the Companies Act, 1956 (currently Section 8 of the Companies Act, 2013). On 26 June, 2025, MVISVRC will complete 55 years of continuous service in the promotion of trade and industry.

MVISVRC became a member of the World Trade Centers Association, New York, in 1971 and established the World Trade Center Mumbai, which is the first World Trade Center (WTC) in India. MVISVRC, having spearheaded the movement of World Trade Centers in India with the establishment of WTCs at Bhubaneswar, Goa and Jaipur, is assisting MSMEs in these regions through various Trade Research, Trade Promotion, Trade Infrastructure including Commercial Offices, Business Center, Trade Facilitation Services and Trade Education Programmes.

Introduction

The India-UK Free Trade Agreement (FTA), finalized in May 2025 after three years of intensive negotiations, stands as a landmark deal and is regarded as the most comprehensive and forward-looking FTA signed by India to date. For the United Kingdom, it represents the most ambitious trade agreement since its exit from the European Union. The FTA is poised to significantly enhance bilateral trade, foster economic growth, stimulate job creation, and boost investments in both economies. It comes at a strategically important moment, amid growing global uncertainties, rising protectionism, and potential new tariff regimes under the leadership of then-U.S. President Donald Trump.

The agreement grants zero-duty access to 99% of Indian exports to the UK, eliminating tariffs currently ranging between 2% and 18%. This is expected to provide a strong impetus to India's labour-intensive sectors and MSMEs, improving competitiveness and supporting broad-based employment generation. The FTA also provides significant benefits to farmers, fishermen, startups, and innovators, making it socially inclusive and economically expansive.

The FTA will also cover trade in services, a vital domain for both economies. India secured a three-year exemption from social security contributions for its professionals temporarily working in the UK, benefiting sectors like IT, financial services, and consulting, with London being a prominent global financial center. This provision is anticipated to enhance India's services exports and workforce mobility.

While some sensitive sectors such as dairy, apples, and cheese were excluded from tariff concessions, the

agreement's scope remains vast. It includes commitments to transparent regulations, simplified customs procedures, and mutual recognition of standards, ensuring fair and predictable market access for Indian exporters.

The FTA aims to double bilateral trade from the current level of approximately USD 60 billion to USD 120 billion by 2030. It is expected to benefit a range of high-potential sectors including gems and jewellery, pharmaceuticals, engineering goods, and agricultural and processed foods. The agreement may also set the stage for a deeper bilateral partnership through the expected conclusion of a Bilateral Investment Treaty (BIT), and collaboration in innovation, sustainability, skill development, research, and cultural exchange.

Amid escalating trade tensions between major economies such as the U.S. and China, India is increasingly viewed as a reliable and attractive trading partner. With the USA accounting for less than 15% of global imports, India is actively pursuing FTAs to access the remaining 85% of global markets, reduce dependence on single-country trade relationships, and effectively manage risks like dumping. Since 2021, India has signed four FTAs, reflecting a proactive trade strategy aligned with its vision to integrate more deeply into global value chains and uphold a rules-based multilateral trading system.

The India-UK FTA thus not only represents a milestone in bilateral economic diplomacy but also serves as a template for India's future trade agreements with other developed economies, positioning both nations to harness mutual opportunities in a rapidly changing global trade landscape.

Key Highlights of the Agreement

- Modern, comprehensive, and landmark FTA aiming for deeper economic integration, trade liberalisation, and tariff concessions.
- Duty elimination on 99% of India's tariff lines, covering almost 100% of trade value.
- Commitment to easing non-tariff barriers on India's exports to the UK
- Enhances the competitiveness of India's manufacturing industry in the UK market.
- Major commitments from the UK in IT/ITeS, financial, professional, business, and educational services—opening up new jobs and opportunities
- Eased entry for Contractual Service Suppliers, Business Visitors, Investors, Intra-Corporate Transferees (and family), and Independent Professionals (e.g., yoga instructors, musicians, chefs).
- 3-year exemption from UK social security contributions under the Double Contribution Convention—resulting in financial gains and a competitiveness boost
- Strong commitments for Indian service providers in architecture, engineering, computer-related, and telecom services

Source: PIB, compiled by MVIRDC WTC Mumbai

United Kingdom Macroeconomic Snapshot

Economy

The United Kingdom stands as one of the world's most advanced economies, with a nominal GDP of USD 3.6 trillion, ranking 6th globally. Its population of around 67 million places it 22nd in terms of population size. The UK economy is overwhelmingly service-oriented, with services accounting for about 80% of GDP, led by strong sectors such as finance, professional services, and information technology. Manufacturing contributes roughly 12%, while agriculture plays a minimal role at under 1%.

The country is deeply integrated into global trade, with exports and imports together representing nearly 60% of GDP. Services dominate the export landscape, particularly in finance and consulting, while goods exports have faced post-Brexit challenges. The UK boasts a high standard of living and maintains strong global economic influence, supported by its robust institutions and innovation-driven sectors.

Trade

The United Kingdom was the 5th largest trading nation

globally in 2023, with total trade valued at approximately USD 2.3 trillion. It remains a net importing country, recording exports worth USD 1.1 trillion and imports of USD 1.18 trillion. Notably, the UK is among the few major economies where service exports exceed goods exports—highlighting the central role of the services sector in its economic structure. In 2023, the UK exported services worth USD 584 billion while importing services valued at USD 394 billion, resulting in a strong services trade surplus. In contrast, the country registered a goods trade deficit, with goods exports totaling USD 525 billion and goods imports reaching USD 791 billion.

This composition reflects the UK's status as a global leader in financial, legal, consulting, and other professional services. London, as a global financial hub, contributes significantly to these exports. The reliance on service trade also underscores the challenges the UK faces in boosting its manufacturing competitiveness post-Brexit. Moreover, the UK's trade profile reveals its deep integration with both European and global markets, making it sensitive to shifts in international demand, exchange rates, and trade policy dynamics.

UK Trade Snapshot



Source: UNCTAD, compiled by MViRDC WTC Mumbai

Understanding UK's Import Basket

With combined imports totaling approximately USD 1,185 billion, the United Kingdom ranks as the fourth-largest importer of goods and services globally. As of 2023, imports accounted for about 36.2% of the UK's GDP, according to World Bank data. This import-to-GDP ratio highlights the country's status as a major global trading nation and reflects its balanced integration into international trade value chain.

The UK's total trade (exports plus imports) represented around 64% of its GDP in 2023, underscoring its deep engagement in global commerce, particularly in sectors such as financial services, pharmaceuticals, and advanced manufacturing.

The UK also has one of the highest per capita import values among G20 economies, standing at USD 17,344. This reinforces its importance as a key destination market for international trade. The country's high standard of living and strong consumer demand makes it especially attractive for global exporters.

For Indian industries, gaining duty-free access to the UK market could significantly enhance competitiveness and open up new opportunities across various sectors.

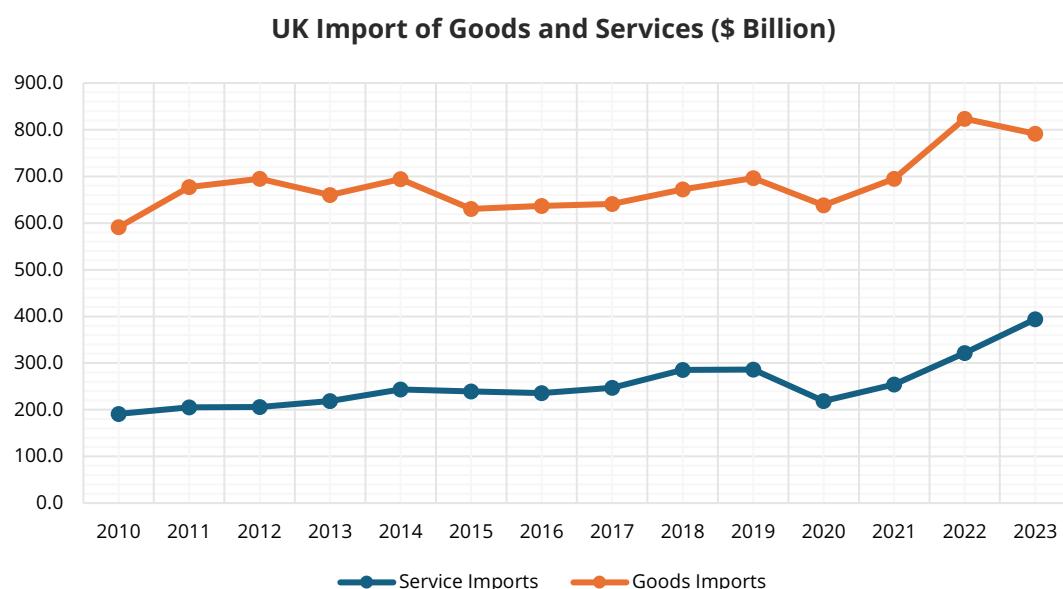
To fully understand the potential of the UK market, it is essential to analyze both the composition of its imports

and the trends driving them. Since 2010, the UK's total imports have grown by over 52%, rising from USD 762 billion to USD 1,185 billion in 2023. Within this growth, services imports have expanded particularly rapidly, more than doubling from USD 191 billion in 2010 to USD 393 billion in 2023.

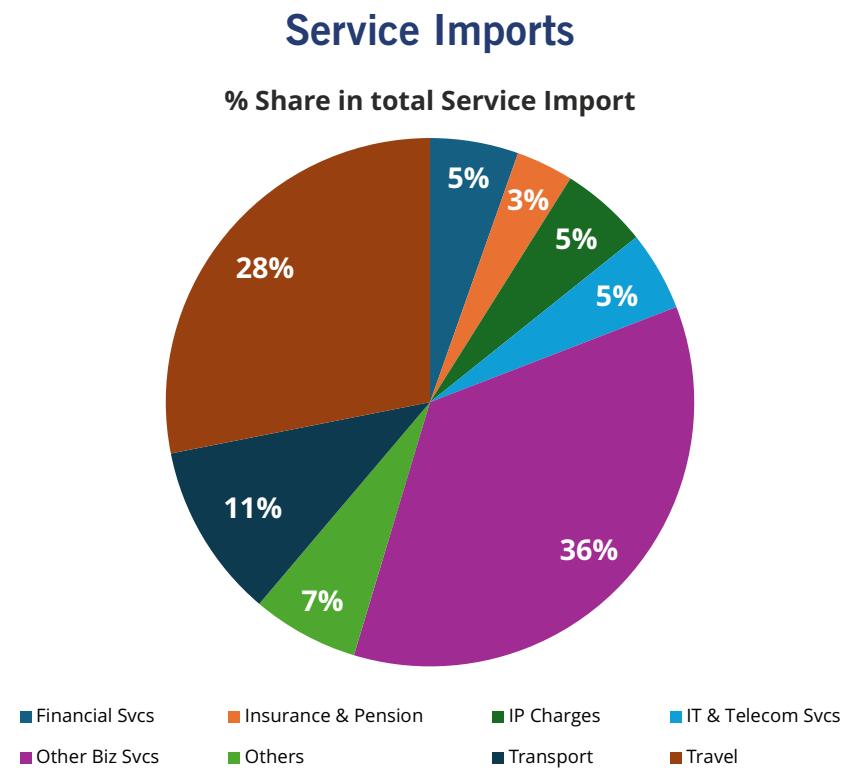
This trend reflects the UK's increasing reliance on global service providers in areas such as information technology, finance, and professional consulting. The digital economy, in particular, is gaining momentum, creating promising opportunities for tech-enabled Indian firms to establish a stronger footprint in the UK.

UK's goods imports have grown more modestly, increasing by 34% over the same period—from USD 591 billion in 2010 to USD 791.5 billion in 2023. In 2024, this figure further increased to USD 816 billion, continuing the upward trend.

These developments point to a structural shift in the UK's import profile. While merchandise trade remains significant, there is a growing emphasis on high-value services. For Indian exporters, this shift presents a compelling case for a dual strategy: strengthening traditional manufacturing exports while also expanding service-sector offerings to align with the UK's evolving demand.



Source: UNCTAD, Compiled by MVRDC WTC Mumbai



Source: UNCTAD, Compiled by MVIRDC WTC Mumbai

The UK's service imports, classified according to the UNCTAD BPM6 (BBMP5) framework, are largely concentrated in two key categories: Other Business Services and Travel, which together account for over 63% of the total service import value. Other Business Services constitute the largest share at 35.5%, reflecting the UK's significant reliance on external specialized expertise and support services. Within this category, the subsegment of Technical, Trade-related, and Other Business Services leads, encompassing professional services such as architectural and engineering consulting, scientific and technical services, and import/export-related support. This highlights the UK's extensive outsourcing of niche technical and professional activities, presenting significant opportunities for Indian service providers who have established strengths in engineering, research and development, and business consulting.

Besides this, Professional and Management Consulting Services and Other Business Services not included elsewhere also form important components of this segment, indicating a diverse demand for advisory, strategic, and ancillary business support functions. This broad spectrum of service needs underscores the potential for Indian firms to expand their footprint in multiple verticals under a liberalized trade regime like the India-UK FTA.

Travel services account for 28.1% of UK service imports, with Personal Travel constituting the largest share within this segment. This includes expenditures related to leisure tourism, visiting friends and relatives, religious pilgrimage, and recreational travel. The significant share of personal travel imports reflects a robust outbound travel culture among UK residents, which in turn generates demand for a wide range of hospitality, travel booking, and related support services. This opens avenues for Indian companies, particularly those operating in travel technology and tourism services, to enhance their market presence in the UK.

Other important segments include Transport services (10.7%), which support the UK's global trade and logistics operations; Financial Services (5.4%) and Intellectual Property Charges (5.3%), indicating demand for cross-border financial intermediation and licensing; IT and Telecommunications (4.9%), a strategic sector for India; and Insurance and Pension Services (3.5%), reflecting the UK's mature financial sector needs. Together, this service import structure reveals multiple entry points for Indian exporters, with the potential for expanded collaboration in technical, consulting, ICT, and travel-related services through an India-UK Free Trade Agreement.

Merchandise imports

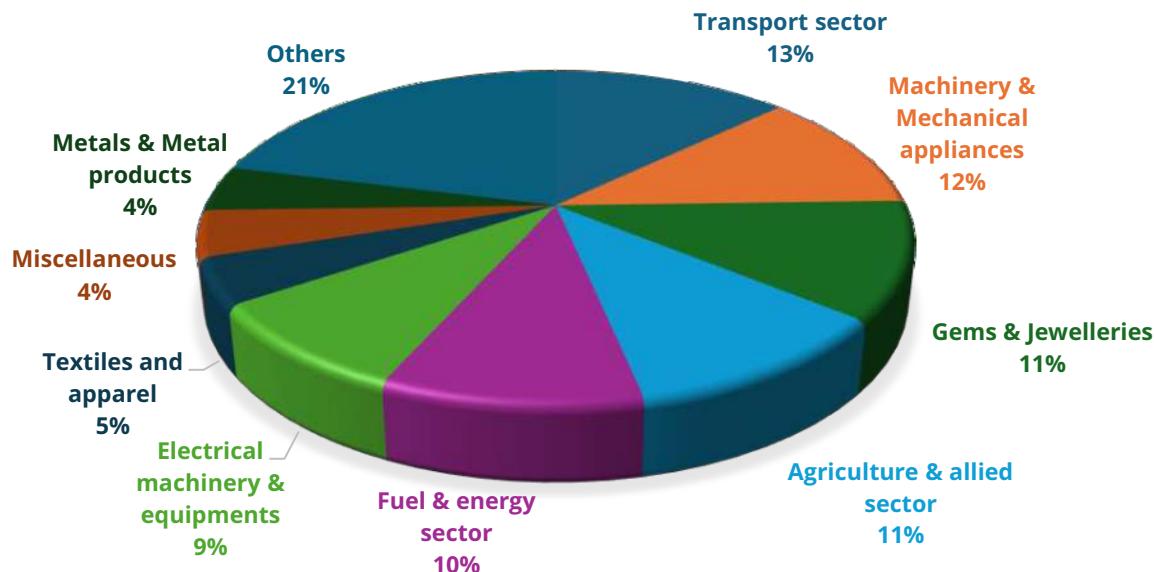
The UK's goods import basket is notably diverse, with a balanced distribution across multiple sectors. In 2024, four key categories—transport (13.5%), machinery and mechanical appliances (12%), gems and jewellery (11%), and agriculture and allied products (11-12%)—together accounted for nearly 50% of the UK's total goods imports. Gold jewellery emerged as the largest single import item, valued at USD 76.6 billion, underscoring its significance in the UK's high-value import profile.

The transport sector is led by electrical motor vehicles, which alone constituted USD 15 billion, or 14.3% of the sector's total imports. In machinery, turbojets, turbopropellers, and other gas turbines dominated, amounting to over USD 22.7 billion in imports.

Agricultural imports showed considerable variety, with wine, bakery goods, cocoa-based products, and dairy items forming the top segments.

Smartphones were another key import, totaling USD 10.5 billion, reflecting the UK's growing demand for consumer electronics. Other notable import sectors included fuel and energy (10%), electrical machinery and equipment (9%), and textiles, chemicals, pharmaceuticals, metals, plastics, and medical equipment—each ranging between 3% and 4% of total imports. This diversified profile highlights the UK's broad-based consumption and industrial demand.

Sector-Wise share in Total Goods Import (%)



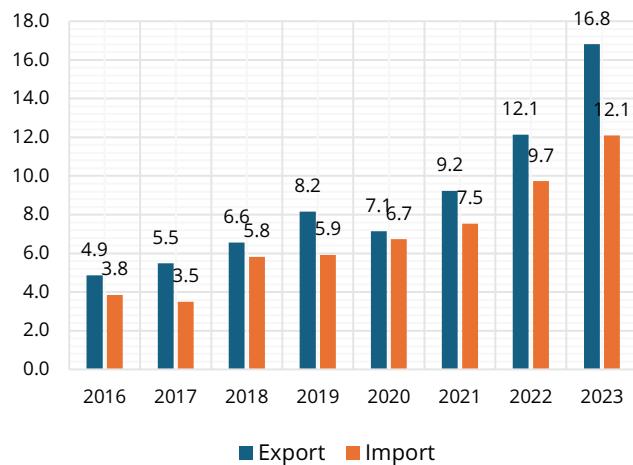
Source- ITC TradeMap, Compiled by MVIRDC WTC Mumbai

India-UK Trade

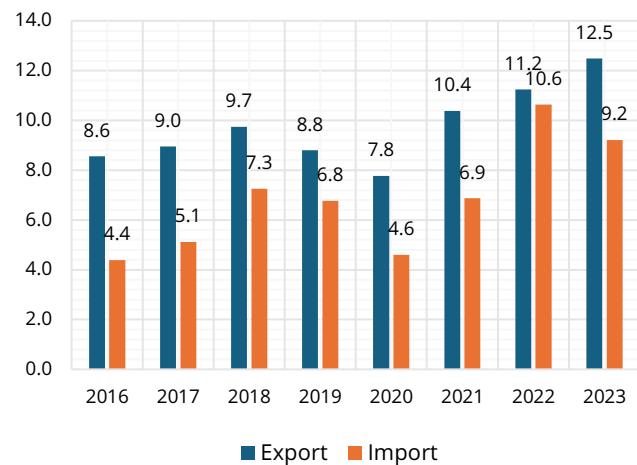
In 2023, total India-UK trade reached USD 50.6 billion, more than doubling from USD 21.7 billion in 2016—a 133% rise. This growth was driven by steady increases in both goods and service flows. India's exports rose from USD 13.4 billion in 2016 to USD 29.3 billion in 2023, while imports grew from USD 8.2 billion to USD 21.3 billion in the same period. Service exports more than tripled, from USD 4.87 billion in 2016 to USD 16.81 billion in 2023,

contributing the largest share to the overall surplus. Goods exports grew by about 46%, from USD 8.56 billion to USD 12.48 billion. Imports of services also increased, yet India maintained a surplus of USD 4.7 billion in services and USD 3.3 billion in goods. These figures reflect a significant shift toward services-led trade growth in India's economic engagement with the UK.

India's Service Trade with UK (\$ Billion)



India's Goods Trade with UK (\$ Billion)



Source- UNCTAD, Compiled by M VIRDC WTC Mumbai

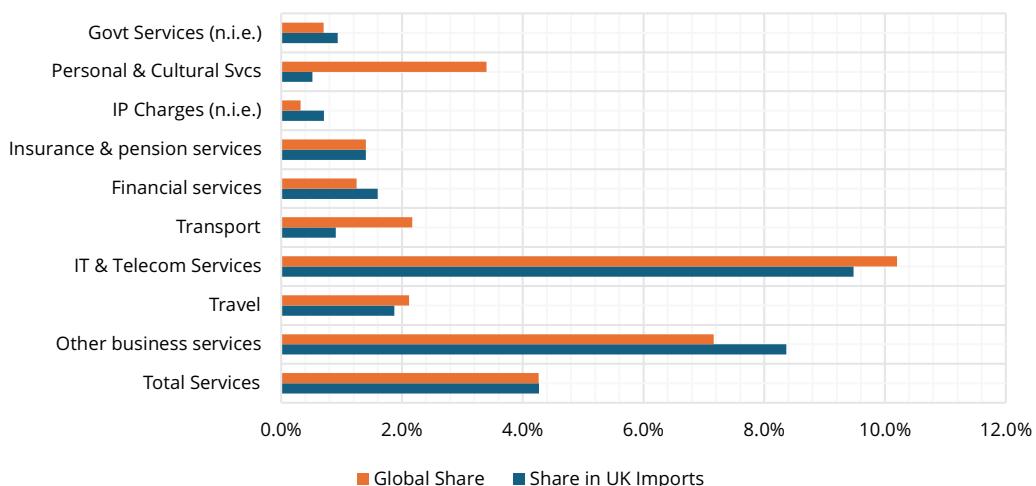
India's Service Exports to UK

India's services exports to the United Kingdom are predominantly driven by the 'Other Business Services' category, which accounted for a substantial 69.6% of the total services exports, amounting to approximately USD 11 billion. This broad segment includes a wide range of professional, management, consultancy, legal, accounting, advertising, and technical services. This trend underscores the strategic alignment between India's service-oriented economy and the UK's demand for outsourcing and knowledge-based services.

Travel services represent the second-largest component of India's services export basket to the UK. This includes expenditure by UK residents on travel to India for tourism, medical purposes, education, and business. The sector's significance highlights the strong people-to-people ties and growing awareness of India as a destination for both cultural tourism and affordable, quality healthcare and education.

Following closely are Telecommunications, Computer,

India's Service Exports



Source: UNCTAD, Compiled by M VIRDC WTC Mumbai

and Information Services, which include software development, IT consulting, data processing, and other information services. The steady demand from the UK's private sector for digital transformation, cybersecurity, and cloud solutions continues to fuel growth in this area. These services reflect the complementary economic relationship between India and the UK, where India's

competitive advantage in human capital, technological capability, and cost efficiency aligns well with the UK's demand for high-quality, outsourced services. The continued expansion of digital trade frameworks, mutual recognition of professional qualifications, and smoother visa regimes could further strengthen this bilateral trade in services.

India's Untapped Export Potential to UK in Service Sector

India's total services exports to the United Kingdom stood at USD 16.8 billion, accounting for 4.3% of the UK's total services imports. This figure closely matches India's global share in services exports, indicating that India is currently performing on par with its global competitiveness in the UK market. However, the recently concluded India-UK Free Trade Agreement, which includes a comprehensive chapter on services, is expected to significantly deepen bilateral integration across diverse service sectors.

One of the key provisions in the agreement is the Double Contribution Convention. This clause exempts skilled Indian professionals and their employers from paying social security contributions in the UK for up to three years. The exemption reduces the operational cost burden for Indian firms, particularly those in IT and IT-enabled services, thereby enhancing their overall competitiveness in the UK market.

The agreement also places strong emphasis on digitally

delivered, financial, and professional services. This aligns well with the aspirations of India's expanding digital economy and the rise of financial hubs such as GIFT City. These developments position India to scale its presence in global financial services.

Additionally, the agreement opens up collaborative opportunities in high-growth areas such as artificial intelligence, cybersecurity, digital transformation, and research and development. Startups and small and medium enterprises are expected to benefit significantly from enhanced market access and a more enabling ecosystem.

India should target doubling its share in UK imports of other business services and telecommunications, computer, and information services. It may also aim for a 10% share in the UK's financial and insurance services imports, tapping into an estimated USD 17.3 billion of untapped services export potential over the next five years.

India's Goods Exports to the UK

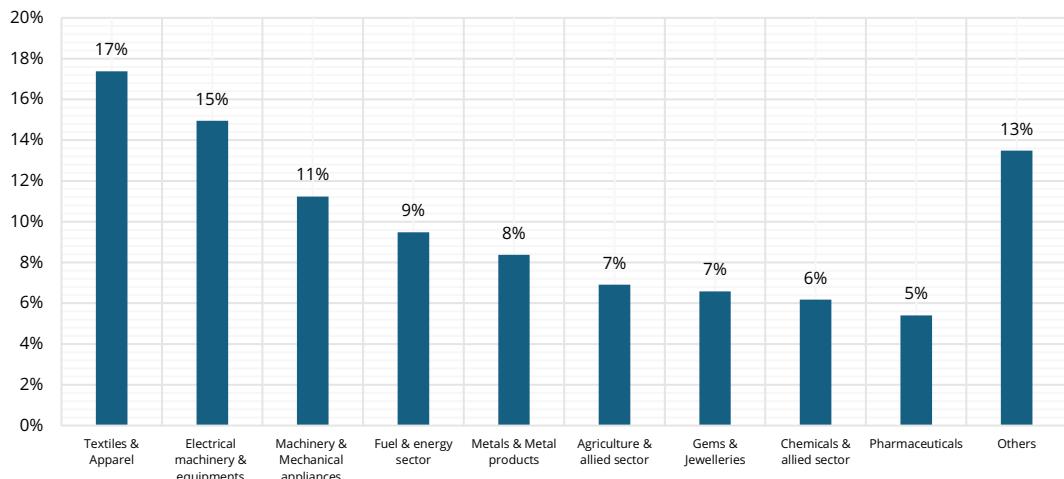
India's total goods exports to the UK reached USD 14.3 billion in 2024, reflecting a growth of over 61% from USD 8.9 billion in 2015. While this expansion is notable, it slightly trails India's overall goods export growth of 67% during the same period. This suggests that India's export momentum to the UK, though positive, has lagged behind its broader global performance, pointing to untapped potential in the UK market.

India currently accounts for just 1.7% of the UK's total goods imports, indicating a modest share in one of the world's most developed consumer markets. However, India's exports to the UK are relatively diversified, spanning a broad range of sectors, which positions it well for future expansion.

Textiles and apparel have emerged as the largest export sector, contributing 17% of total exports, with a value of USD 2.4 billion. This reflects strong traditional strengths, supported by ongoing global demand for Indian garments. Electrical machinery and equipment is the second-largest export segment, with total exports of USD 2.13 billion, accounting for 15% of total exports to the UK. This highlights India's growing capabilities in electronics manufacturing and technology products.

Notably, smartphones have become India's top individual export item to the UK, with shipments worth USD 1.5 billion in 2024 alone. This points to increasing competitiveness in high-value electronics and the success of India's electronics production-linked incentives.

India's Goods Export Basket to the UK(% Share)



Source: UNCTAD, Compiled by MViRDC WTC Mumbai

India's Untapped Exports Potential in Goods

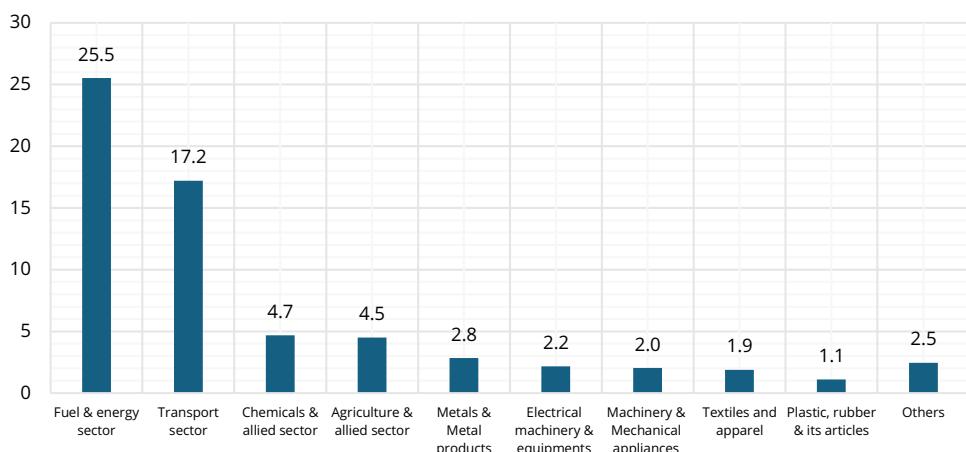
India's untapped goods export potential to the United Kingdom can be effectively assessed using the Revealed Comparative Advantage (RCA) framework, which evaluates a country's relative export strength in specific products compared to the global average. An RCA value greater than 1 indicates a comparative advantage, while a value of 2 or more signals strong competitiveness.

Using an RCA threshold of 2, 1,095 tariff lines have been identified where India had a competitive advantage in 2024. While India's overall global goods export share is 1.8%, its average share for these 1,095 products is significantly higher at 8.6%, representing a combined global export value of USD 318 billion for India.

However, India's exports to the UK across these products stood at only USD 6.4 billion, whereas the UK's total imports for the same tariff lines reached USD 110.8 billion. This reveals a substantial untapped export potential of approximately USD 102.5 billion.

To refine the analysis, tariff lines where India's global export share is actually lower than its share in the UK's imports are excluded. After this adjustment, 681 tariff lines remain. For these, India's exports to the UK amounted to USD 2.35 billion, while the UK's total imports stood at USD 66.7 billion, resulting in a more realistic untapped potential of around USD 64 billion.

Sector-wise Untapped Export Potential in (\$Billion)



Source: ITC TradeMap, Compiled by MViRDC WTC Mumbai

India's untapped goods export potential to the United Kingdom spans several high-growth sectors. The fuel and energy sector leads with an estimated USD 25.5 billion in potential. The transport sector follows at USD 17.2 billion, with particular promise in electric vehicle (EV) exports. As the UK accelerates its green mobility goals, India's growing EV manufacturing base can supply both affordable and sustainable mobility solutions.

The chemicals and allied sector, with USD 4.7 billion in untapped potential, includes a wide array of specialty chemicals. Key products include pharmaceutical

intermediates, crop protection agents like fungicides, industrial inks, and fatty acids used in personal care and food processing. These products reflect India's strength in supplying high-value-added chemical goods that are critical to the UK's industrial and consumer sectors.

Other sectors with strong potential include agriculture and allied products (USD 4.5 billion), metals and metal products (USD 2.8 billion), electrical machinery (USD 2.2 billion), and textiles and apparel (USD 1.9 billion), all of which stand to benefit from tariff liberalization and deeper trade engagement.

Key Focus Areas

Textiles, Apparel, Footwear and Carpets

Labour-intensive sectors such as textiles, apparel, leather, footwear, and carpets are expected to be among the major beneficiaries. Indian textile exports to the UK currently face tariffs of up to 10%, while clothing items are subjected to duties of up to 12%. The FTA will eliminate these tariffs, placing Indian exporters on a level playing field with competitors like Bangladesh and China. The UK imports approximately USD 19 billion worth of apparel annually. Currently, China accounts for 21%, Bangladesh for 18%, and India for only 5-5.5% (around USD 1 billion). The agreement aims to double India's market share to 10%, translating to over USD 1 billion in additional exports. The duty concessions will strengthen India's competitiveness, particularly in low-cost segments, where UK buyers already view India as a preferred sourcing destination.

Gems and Jewellery

The UK is a pivotal market for India's gems and jewellery exports, with outbound trade valued at USD 941 million and inbound imports from the UK at USD 2.7 billion in 2024. The FTA is expected to accelerate export growth in this sector, with projections estimating a rise to USD 2.5 billion in the next two years. Total bilateral trade in gems

and jewellery is likely to double to USD 7 billion, supported by improved duty concessions and reduced transaction costs.

Automobiles and Auto Components

Tariffs on automobiles will be reduced from 100% to 10% under a quota-based system, offering immediate benefits to premium car imports. India will also be allowed to export low and mid-range electric vehicles (EVs) to the UK under a similar quota. The tariff cuts are expected to generate £400 million in savings, rising to £900 million over ten years.



Auto parts manufactured in India will be eligible for duty-free access, helping exporters scale up their shipments to the UK. Indian automobile companies with operations in the UK—such as Tata Motors and TVS Motors—are likely to benefit from integrated supply chains. However, Indian consumers may not see major price changes, as premium car imports will cater to niche segments, and local preferences still lean toward affordable vehicles.



Alcoholic Beverages

India has agreed to reduce tariffs on whiskey and gin from 150% to 75%, with further reductions to 40% over the next 10 years. In 2024, India imported USD 439.04 million worth of whiskey, gin, and other spirits. The agreement is expected to improve consumer access to premium international brands.

The Indian alcohol beverage industry, however, has raised concerns about increased competition and the risk of dumping. Some stakeholders have requested the inclusion of a Minimum Import Price (MIP) to protect local producers. Industry leaders have also flagged the issue of UK's maturation norms, which require spirits to be aged for a minimum of three years in wooden casks—a regulation unsuited to India's hot climate, where maturation occurs more rapidly. There is currently no clarity on whether these norms have been relaxed under the FTA.

Furthermore, industry experts believe that tariff reductions may not lead to significant retail price drops due to multiple layers of local excise duties and state-level taxation regimes. For example, in Maharashtra, where excise duty was reduced from 300% to 150%, companies increased their billing prices, passing on minimal benefit to consumers. Even under optimal conditions, retail prices are expected to drop only by 10–12%, at best. The only notable advantage to Indian consumers may be a wider selection of imported liquor brands.

Despite these concerns, the liberalization of duties is expected to boost FDI in the alcoholic beverages sector, attract UK expertise in quality control, branding, and marketing, and promote fair competition.

Cosmetics and Personal Care

Tariffs on cosmetics, perfumes, toiletries, essential oils, and personal care products will be reduced, offering a

significant opportunity for UK exporters. India's USD 20 billion cosmetics and beauty market is poised to see a surge in affordable imports, catering to the country's 700-million-strong young consumer base. In 2024, India imported USD 34.4 million worth of these products from the UK, and the FTA is expected to broaden product portfolios for Indian consumers.

Medical Devices and Aerospace

Tariffs will also be reduced on medical devices and aerospace products, which are seen as critical sectors for both nations. The removal of non-tariff barriers is expected to open the market for high-quality imports. However, industry bodies in India have raised concerns about the potential misuse of the agreement for trans-shipment of Chinese-origin goods via the UK. To address this, they have recommended that at least 35% of product valuation or final assembly be undertaken in the UK to qualify for preferential treatment.

Agriculture and Processed Foods

The FTA will improve access to the UK market for Indian agricultural and value-added products, including tea, spices, rice, and ready-to-eat items. These categories are likely to see enhanced exports owing to better tariff treatment and streamlined regulatory procedures.

Ceramics and Construction Materials

The UK has emerged as a key destination for Indian ceramic exports, with shipments doubling over the last 4–5 years to reach an estimated USD 119 million in 2024. The FTA will offer duty-free access to Indian ceramics, particularly benefiting exporters in Gujarat, which houses over 800 export-oriented units, mostly in Morbi in the Saurashtra region. This will be a game-changer for the Indian ceramics industry, allowing it to scale operations and improve margins.



Pharmaceuticals and Biotech

The FTA is expected to support pharmaceutical exports by easing regulatory approvals for generic medicines and encouraging joint innovation in biotechnology and clinical research. It will simplify trade pathways, reduce barriers, and enhance collaborative potential between Indian and British pharmaceutical firms.

Meat and Seafood

India's meat and shrimp exporters stand to benefit significantly. Non-tariff barriers such as stringent phytosanitary norms have historically restricted Indian exports to the UK. The removal of such barriers, along with the abolition of duties, is expected to open new markets for frozen and ready-to-eat meat products.

The shrimp industry, in particular, will see competitive gains. In 2022, the UK imported over 75,000 tons of shrimp, making it India's ninth-largest export destination. However, India faced tariffs between 12% and 20%, while competitors like Vietnam (25% share) and Ecuador (10% share) enjoyed zero tariffs. With the FTA, India, which currently has an 18% market share (now fallen to 15%), is targeting a 35% share by 2026, leveraging a level playing field under the new trade regime.

Renewable Energy Components

The FTA opens promising avenues for Indian exporters of renewable energy components, particularly as the UK aims to achieve net-zero carbon emissions by 2050. Currently, around 40% of the UK's energy needs are met by fossil fuels. With unprecedented access to India's clean energy procurement market, UK firms will also explore India as a strategic manufacturing and supply base. India, already a net exporter of wind turbines and solar modules, is positioned to become a key partner in the UK's green energy transition.

Investments

While the India-UK Free Trade Agreement (FTA) has made significant progress in enhancing trade relations, the Bilateral Investment Treaty (BIT) between the two countries is yet to be finalized. Negotiations have faced hurdles, particularly over the dispute resolution mechanism, the timeframe for resolving investment disputes, and the inclusion of taxation-related matters in the agreement.

Despite the delay in concluding the BIT, the FTA itself opens up new avenues for investment. Indian companies will gain greater access to British capital markets and clients, while British investors and innovators will find expanded opportunities in India's rapidly urbanizing and digitally transforming economy. The agreement provides a platform for investors, entrepreneurs, and innovators to launch new products and ventures aimed at both domestic and global markets.



The FTA is also expected to facilitate enhanced academic, research, and cultural exchanges, benefiting students, researchers, and creative professionals through increased cooperation and mobility. However, the successful implementation of these investment-related provisions will require sustained commitment from both governments, transparent regulatory processes, and a

readiness to adapt to a rapidly evolving global economic environment.

Inclusive stakeholder engagement will be critical. To ensure that the FTA delivers tangible benefits on the ground, cooperation must extend beyond central governments to include businesses (large and small), civil society, academic institutions, and local and regional authorities. Their active participation will be essential in translating the agreement's framework into practical outcomes. Importantly, the FTA lays the groundwork for closer collaboration in innovation and sustainable development, particularly in the field of clean energy.

The agreement offers the UK's clean energy industry unprecedented access to India's vast and growing procurement market, particularly as India works toward ambitious climate and energy goals. With a target of achieving 500 GW of non-fossil fuel power capacity by 2030, India's electricity market is expected to be driven largely by clean and renewable energy sources, including nuclear power.

These developments position India as a highly attractive destination for international energy investors and technology providers. The FTA's framework encourages joint efforts in developing sustainable and competitive supply chains, fostering innovation in green technologies, and driving forward the shared ambition for climate resilience and carbon neutrality.

Carbon Border Adjustment Mechanism (CBAM)

Despite India's efforts, the United Kingdom has not agreed to any concessions on its proposed Carbon Border Adjustment Mechanism (CBAM). In response, India has proposed a rebalancing mechanism, which would require the UK to compensate Indian industries for losses arising from the implementation of CBAM.

The concern is that while UK goods may enter India duty-free under the FTA, Indian exports subject to CBAM could face additional levies, creating the risk of a one-sided and imbalanced trade agreement. To address this potential disparity, the FTA includes provisions allowing India to retaliate or seek compensation if its industries are adversely impacted by the UK's CBAM.

Given the current uncertainty and lack of finalized legislation around CBAM, India has reserved the right to rebalance concessions or claim compensation in the future. This provision not only serves as a safeguard for Indian exporters but is also seen as a strategic measure

to deter the UK from initiating disputes against India at the World Trade Organization (WTO).

Government Procurement:

The FTA's chapter on government procurement has raised concerns among Indian stakeholders, particularly Micro, Small, and Medium Enterprises (MSMEs). While India has agreed to open its public procurement markets to UK-based firms, UK government procurement remains largely closed to foreign suppliers.

This creates an unequal playing field, where British companies could gain preferential access to India's public contracts, but Indian firms are unlikely to secure reciprocal opportunities in the UK. Currently, less than 0.5% of UK public procurement goes to non-UK suppliers. Even when opened, foreign firms in the UK capture no more than £20 billion in contracts annually.

Indian MSMEs, in particular, lack the capacity and familiarity to effectively navigate the UK's procurement systems, limiting their ability to benefit from this aspect of the agreement. Without adequate safeguards or reciprocal access, this could undermine the FTA's overall goal of balanced trade and mutual benefit.

Conclusion:

The India-UK Free Trade Agreement holds significant promise, offering new opportunities for growth, diversification, and strategic collaboration. However, the real gains will depend on how swiftly and effectively Indian exporters can adapt to the competitive UK market.

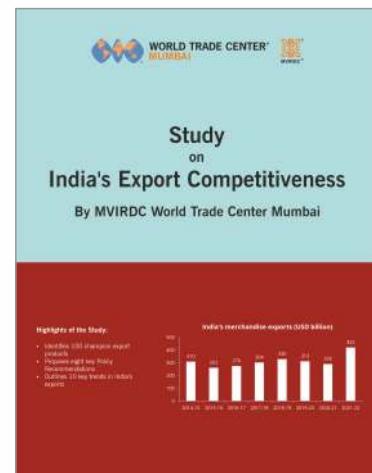
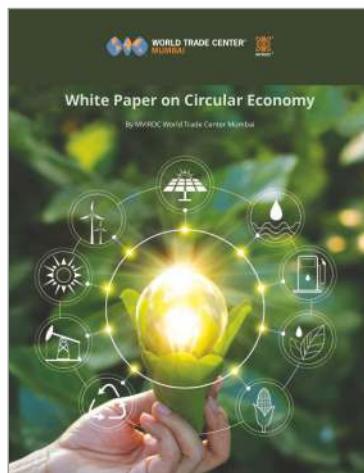
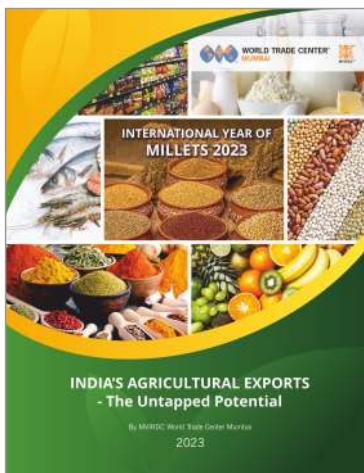
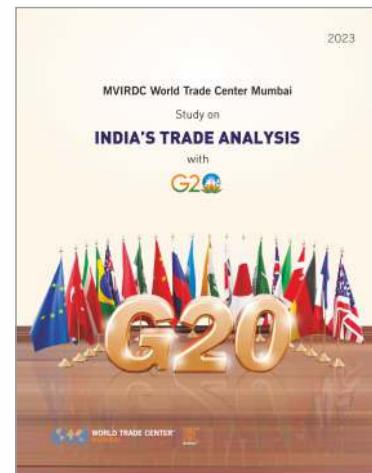
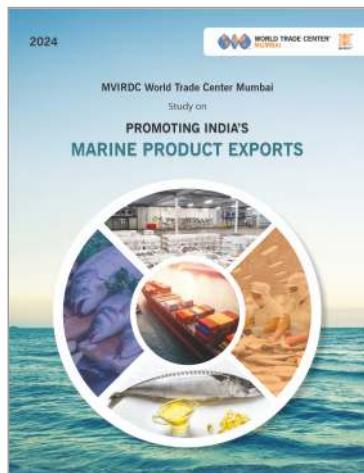
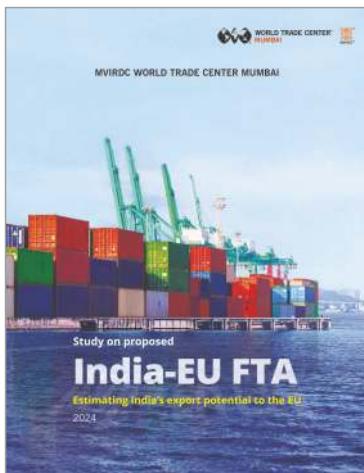
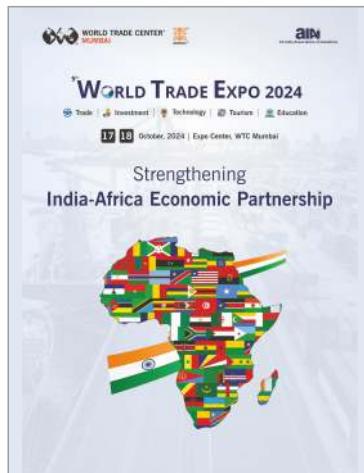
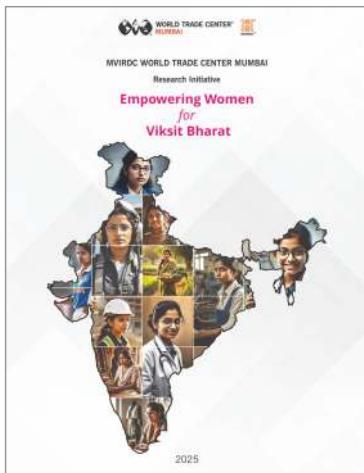
Tariff reductions alone are not sufficient; Indian businesses must also focus on meeting stringent quality standards, adhering to timely delivery schedules, and maintaining compliance with global regulatory norms.

To fully capitalize on the benefits of the FTA, Indian industry—especially MSMEs—will need to invest in upgrading capabilities, enhance international competitiveness, and stay aligned with evolving market expectations.

With strategic implementation and sustained engagement, the FTA can serve as a model for India's future trade agreements and strengthen its position in the global economy.

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