



Overview

On 6 May 2025, India and the UK finalized a landmark Free Trade Agreement (FTA). Government of India has described this as “a historic and ambitious deal to boost jobs, exports, and national growth.” The FTA includes tariff elimination on 99% of Indian tariff lines, covering nearly 100% of trade value, and reduces tariffs on 90% of UK tariff lines, with an estimated annual economic boost of £4.8 billion (US\$6.4 billion) for the UK by 2040.

Key benefits (as summarized by the two sides)

Enhanced market access

- UK exports: 90% of UK tariff lines will face reduced tariffs, benefiting products like whisky, gin, automotive, medical devices, cosmetics, aerospace components, lamb, salmon, electrical machinery, soft drinks, chocolate, and biscuits. Whisky and gin tariffs will decrease from 150% to 75% initially, and to 40% over a decade. Automotive tariffs will drop from over 100% to 10% under a tariff rate quota system.
- Indian exports: 99% of Indian tariff lines, covering nearly 100% of trade value, will benefit from zero duty, opening massive export opportunities for sectors like textiles, marine products, leather, footwear, sports goods, toys, gems, jewelry, engineering goods, auto parts, engines, and organic chemicals.

Economic growth and jobs

- The FTA is projected to increase UK GDP by £3.3 billion by 2035 and support significant employment gains in India, particularly in labor-intensive sectors like textiles, leather, and footwear, aligning with the Indian government's focus on job creation.
- Bilateral trade, valued at US\$60 billion (£42.6 billion) in 2024, is projected to double to US\$100 billion (£75 billion) by 2030, boosting national growth for both economies.

Services and professional mobility

- The FTA provides ambitious commitments for Indian services, including IT/ITeS, financial services, professional services (for example, in architecture and engineering), and educational services. This could make Indian service providers significantly more competitive in the UK.
- The agreement eases mobility for professionals, including contractual service suppliers, business visitors, investors, intra-corporate transferees, and independent professionals like yoga instructors, musicians, and chefs, offering “greater global mobility for aspirational young Indians”. This was a key demand from India.

- A Double Contribution Convention (DCC) exempts Indian workers temporarily in the UK and their employers from social security contributions for three years, enhancing competitiveness and creating financial gains. This agreement will operate on similar principles to the UK's other Social Security Agreements (SSA) with the EU and countries such as Switzerland, Norway, Canada, Japan, Chile and South Korea. As a more limited kind of SSA, the DCC will not affect individuals' rights to access benefits from the country in which they pay social security contributions or the requirement to pay the UK immigration health surcharge. The DCC will come into force in line with the wider trade deal.
- UK services sectors, including financial and legal services, gain market certainty in India's growing economy.

Consumer benefits

- UK consumers can expect to enjoy lower prices on Indian apparel, shoes, and food items like marine products. Indian consumers may benefit from reduced costs on UK goods like whisky, cosmetics, and medical equipment. Access to cutting edge technology and investment is expected to boost employment opportunities.
- Commitments on digitally delivered services and streamlined customs processes enhance trade efficiency for both nations.



Key sectors impacted

Sectors in the UK

- Beverages (whisky and gin): Tariff reductions boost Scotch whisky exports to India, the world's largest whisky market. ([Source](#)).
- Automotive: Tariff cuts enhance competitiveness of UK cars and parts.
- Advanced Manufacturing: Electrical machinery, optical products, and aerospace components benefit from reduced barriers.
- Life Sciences: Medical device firms gain from lower tariffs and simplified rules of origin.
- Clean energy: Access to India's renewable energy market supports UK firms in sustainable energy.
- Services: Financial, professional, and business services see increased market access.

Sectors in India

- Textiles and apparel: Zero duty on shirts, trousers, dresses, and bed linen boosts exports and jobs.
- Leather and footwear: Tariff elimination drives export growth and employment.
- Agriculture and marine products: Grapes, mangoes, and marine products gain competitive edge.
- Sports goods and toys: Duty-free access opens new market opportunities.
- Gems and jewelry: Enhanced access strengthens India's global position.
- Engineering and auto parts: Exports of engineering goods, auto parts, and engines increase.
- Organic chemicals: Tariff concessions improve competitiveness.
- IT and Services: Ambitious commitments in IT/ITeS, financial, professional, and educational services create jobs and opportunities.

Cross-sector impact

- Employment: Labor-intensive Indian sectors like textiles, leather, and sports goods likely to see significant job growth, while UK high-growth sectors like manufacturing and clean energy support job creation.
- Supply chains: Non-tariff barriers are addressed to ensure free flow of goods and services, enhancing supply chain resilience.



Conclusion

This agreement has brought a range of related issues like trade in goods and services, social security and investment under one umbrella, which is welcome. While the specifics of the agreement, i.e. the detailed tariff reduction schedules, rules of origin, quantum of the import quotas, services covered and nature of commitments thereon, etc., are awaited, stakeholders should prepare to leverage these opportunities as the agreement moves toward implementation.

Note: This alert is based on the summary information given by the governments of India and UK. Specific commitments must be verified from the formal signed documents, once available.

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