

# INDIA - UK TRADE DEAL (FINAL OUTCOMES)



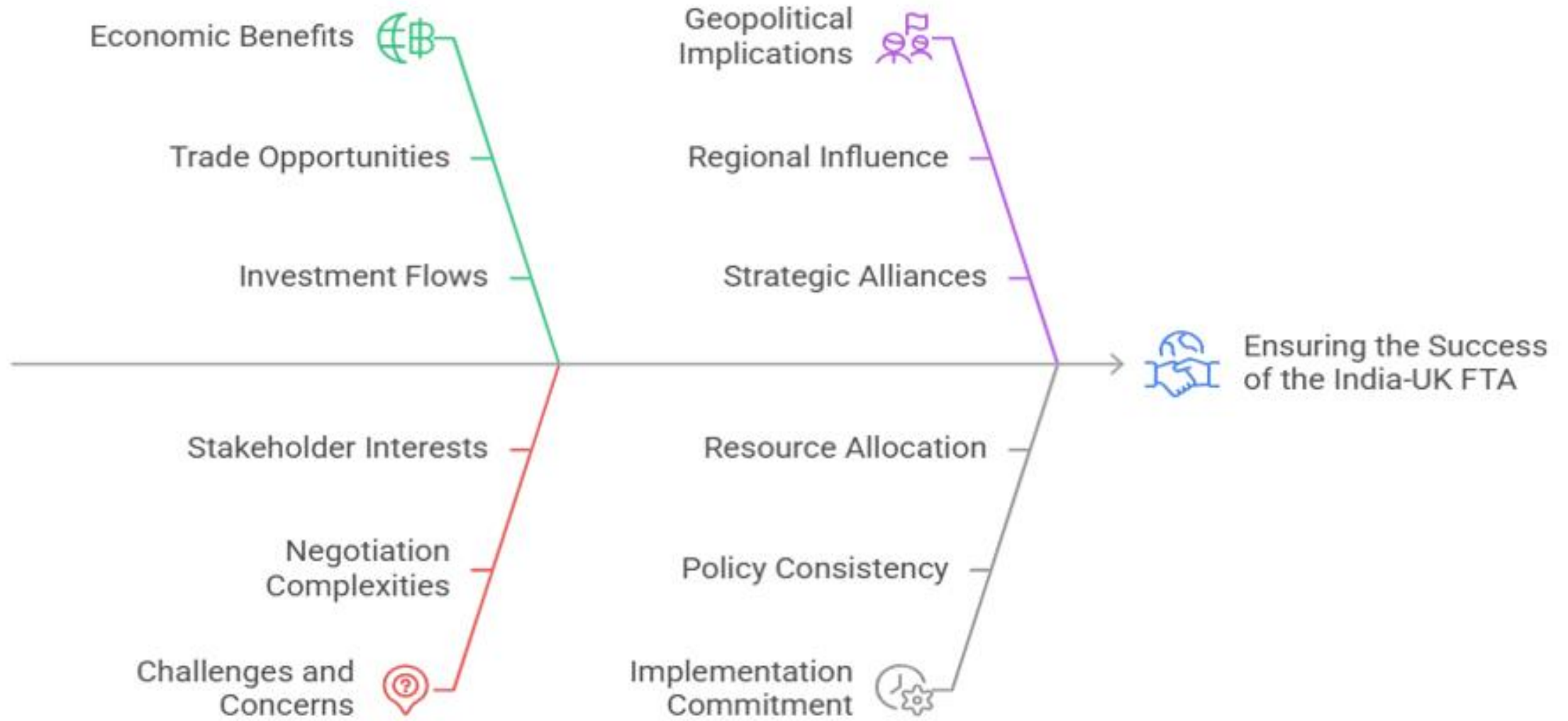
CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

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# India-UK FTA: A Journey to Economic Partnership



# Success Factors of the India-UK FTA ....



Characteristic	India Gains	UK Gains
Tariff Reductions	Eliminate duties on ~99% Tariff line	Tariff cuts on ~90% by Value
Zero Duty Access	Generic drugs, medical devices, IT	85% duty free within a decade
Sector Impact: Textiles	Exports boost from Tiruppur, Surat	Duties elimination (~8-12%)
Sector Impact: Automobiles	Initial tariffs high, scaling down	Quota Based Import (dropping to 10 %)
Investment Treaty	Pending, unresolved issues	Pending, unresolved issues
Policy Safeguards	Excluded dairy, oils, apples & other Sensitive items	Weaker labor/sustainable rights
Projected Trade Impact	Target \$ 100Bn by 2030 (double, Including Services)	Gain ~£4.8B annually, job creation
Implementation	By Mid- 2026	By Mid-2026

## Product-Wise Tariff Reductions

- Trousers: 10% → 0%
- Leather Footwear: 16% → 0%
- Auto Components: 15% → 0%
- Shrimp: 8.5% → 0%
- Whisky: 150% → 40% (phased)
- Passenger Cars: 100% → 10% under quota

## State-Wise Export Growth Modeling

- Gujarat (Textiles): \$500M → \$725M
- Uttar Pradesh (Leather): \$300M → \$460M
- Maharashtra (Auto Parts): \$400M → \$600M
- Kerala (Seafood): \$350M → \$500M
- Tamil Nadu (Garments): \$700M → \$1050M
- Punjab (Rice): \$250M → \$325M

## Product-Specific Observations

- Indian garments will flood UK market with no tariff barrier
- Shrimp exporters in Kerala gain premium UK access
- UK whisky brands benefit from phased tariff cuts (150% to 40%)
- Auto components: massive opportunity for Pune, Nashik, Chennai

## Stakeholder Case Scenarios

- Surat textile exporter: scales exports to UK brands, +45% output expected.
- Kochi seafood exporter: accesses premium buyers post-tariff cut
- Pune auto part firm: becomes Tier-1 supplier to UK carmakers
- Delhi liquor importer: benefits from 110% duty reduction
- UK pharma firm: enters Indian generic drugs space at 0% duties

## Strategic Gains for India

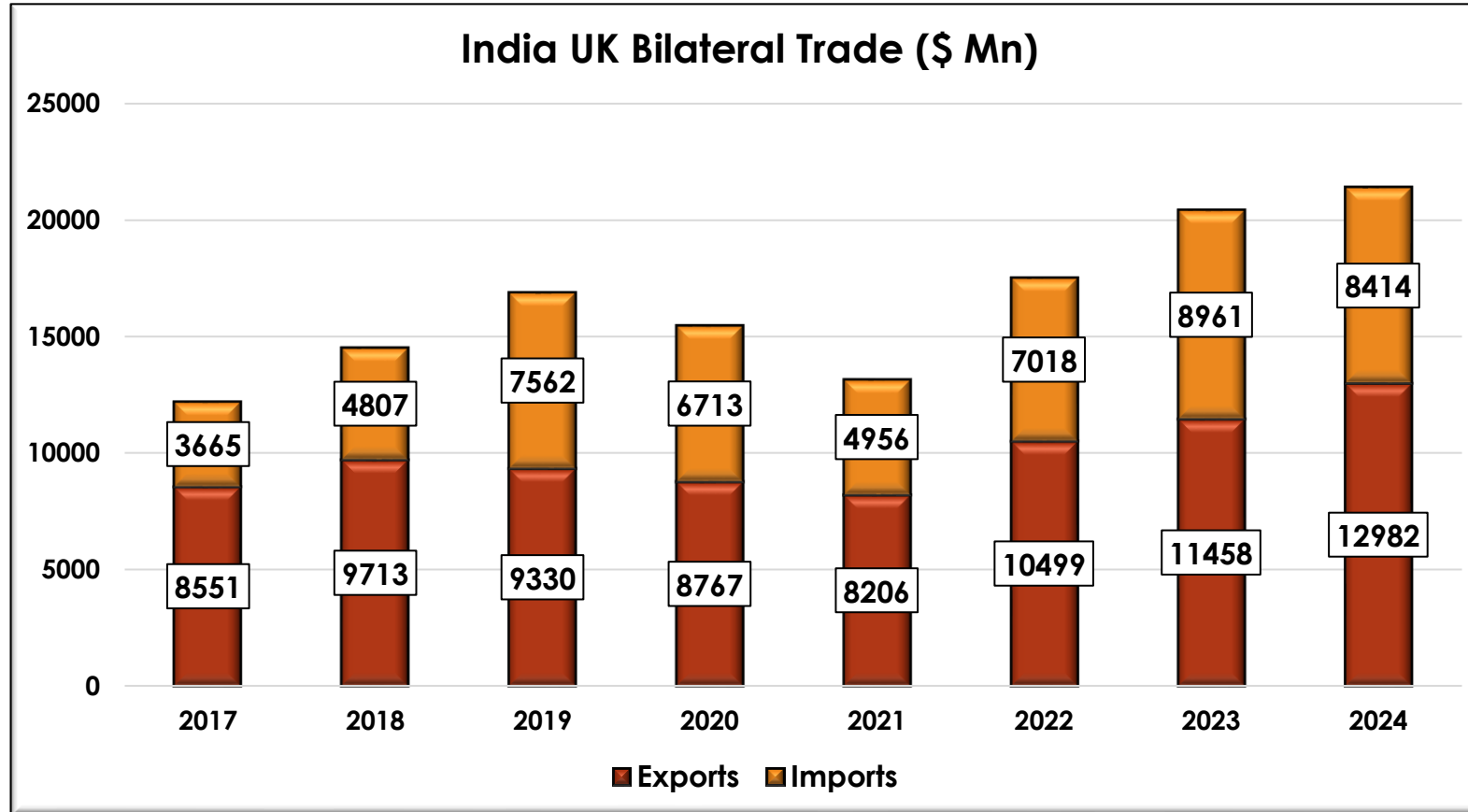
- Expands access to UK's services market: IT, consulting, finance
- FDI flows expected to rise from UK-based firms
- Strengthens India's role in global value chains (GVCs)
- Enhances MSME competitiveness via global demand access
- Strengthens 'Make in India' with UK tech tie

## Challenges & Risks

- Whisky and car imports may impact domestic producers
- UK non-tariff standards Compliance (ex-product safety, environmental regulations etc.) can pose burdens for MSMEs
- Rules of Origin verification delays may hurt small exporters
- Implementation requires customs and certification infrastructure

## Policy and Institutional Needs

- Build export infrastructure in key states
- Create awareness of UK standards & documentation
- Facilitate credit & logistics support for MSMEs
- Skill upgrades for compliance with new trade norms



- 2017-2024: India-UK trade increased significantly to \$21.4 billion (annual growth of 5-8%).
- India's Trade with UK (2024): Exports: \$12.98 billion (approx.) Imports: \$8.4 billion (approx.).

# Data-nomics (2) : Refreshing India – UK Trade Dynamics

## Merchandise Exports and Imports

### India's Import from UK

Sr. No	Top 10 Items of Import	Value (\$ Bn)	% Share in India's Total Import From UK	UK's Export to Other top 3 Nations (% Share)
1	PRECIOUS METALS AND STONES	2.7	31.7	China (36.7%), Switzerland, (29.4%) USA, (6.4%)
2	MACHINERY AND MECHANICAL APPLIANCES	1.4	15.9	USA (17.2%), Germany (9.3%), China Hong Kong SAR (6.4%)
3	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS	0.6	7.2	USA (15.8%),Germany (11.5%), Netherlands (7.4%)
4	IRON AND STEEL	0.5	5.9	Turkey (12.2%), Egypt (8.7%),Belgium (8.7%)
5	OPTICAL, PHOTOGRAPHIC,MEASURING, MEDICAL AND PRECISIO INSTRUMENTS	0.4	4.5	USA (21.8%),Germany (13.2%),Netherlands (7.9%)
6	ALUMINIUM AND ARTICLES THEREOF.	0.4	4.2	Germany (22.1%),India (11.5%),USA (6.9%)
7	BEVERAGES, SPIRITS AND VINEGAR.	0.3	4.0	USA (19.1%),France (6.8%),Singapore (4.4%)
8	VEHICLES AND PARTS	0.2	2.6	USA (24.1%),China (8.9%),Germany (7.2%)
9	COPPER AND ARTICLES THEREOF.	0.2	2.1	China (29.7%),Germany (8.8%), India (7%)
10	MISCELLANEOUS CHEMICAL PRODUCTS.	0.2	1.9	USA (17.5%),Netherlands (11.6%),Germany (9%)
	India's Total Import from UK	8.5		

Merchandise Exports and Imports

India's Export to UK			
Sr. No	Top 10 Items of Export	Value (\$ Bn)	% Share in India's Total Export to UK
1	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS	2.1	14.9
2	MACHINERY AND MECHANICAL APPLIANCES AND PARTS	1.6	11.2
3	MINERAL FUELS AND OILS,PETROLEUM PRODUCTS, AND MINERAL WAXES.	1.4	9.5
4	GEMS, JEWELLERY, AND PRECIOUS METALS	0.9	6.6
5	PHARMACEUTICAL PRODUCTS	0.8	5.4
6	WOVEN GARMENTS	0.8	5.3
7	KNITTED OR CORCHETED GARMENTS AND ACCESSORIES	0.7	4.6
8	IRON AND STEEL	0.5	3.7
9	ORGANIC CHEMICALS	0.4	2.9
10	ARTICLES OF IRON OR STEEL	0.4	2.5
India's Total Export to UK		14.3	

India Enjoys Trade Surplus with UK

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	Import (Value , \$ Bn)	Export (Value , \$ Bn)	Trade Status (Value , \$ Bn)
India's Trade With UK	8.5	14.3	+5.8
Value in : \$ Bn , FY 2024			

India Service Trade Surplus with UK

India Service Trade with UK (in Mn Pounds)		
	Imports	Exports
Transportation	583	256
Travel	7196	2544
Financial	230	356
IT and telecommunication	345	1991
Professional & Consulting	439	3738
Other business services	415	5207
Total	10104	14714

Source: Office for National Statistics, UK

## Tariff comparison

Commodity	Existing Duty Range	Percentage share in India Export	Agreed duty under FTA
Clothing	12%	18.25%	0%
Base Metal	10%	12.12%	0%
Footwear	16%	10.35%	0%
Paper	10%	10.31%	0%
Leather	16%	8.17%	0%
Chemicals	8%	7.75%	0%
Headgear	12%	7.30%	0%
Furniture	4%	5.33%	0%
Electrical Machinery	14%	5.25%	0%
Textiles	12%	4.60%	0%
Ceramics	12%	4.35%	0%
Wood	10%	3.33%	0%
Plastics	6%	3.25%	0%
Rubber	6%	2.97%	0%
Glass	12%	2.02%	0%
Gems & Jewellery	4%	1.86%	0%
Mechanical Machinery	8%	1.37%	0%
Auto	18%	1.37%	0%
Clocks	6%	1.33%	0%
Arm and Ammunitions	2%	0.62%	0%

Source: Ministry of Commerce

# Winding Up : India –UK Trade Deal

Benefit Area	UK Gains	India Gains
Tariffs on goods	Reduced tariffs: whisky, autos, cosmetics, machinery	99% of exports enter UK duty-free (textiles, gems, leather, etc.)
Services & mobility	Access to Indian services market, procurement opportunities	Easier posting of skilled Indian professionals in UK
Investment	£6 bn inflows, job creation, stronger export positioning	Attraction of UK investment into tech, manufacturing, aviation
Digital & IP trade	Digital trade frameworks, IP protection for creative sector	Legal certainty for tech and R&D exports
Criticisms	Limited auto liberalization, image concerns	CBAM tensions, lack of environmental/labor safeguards

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