

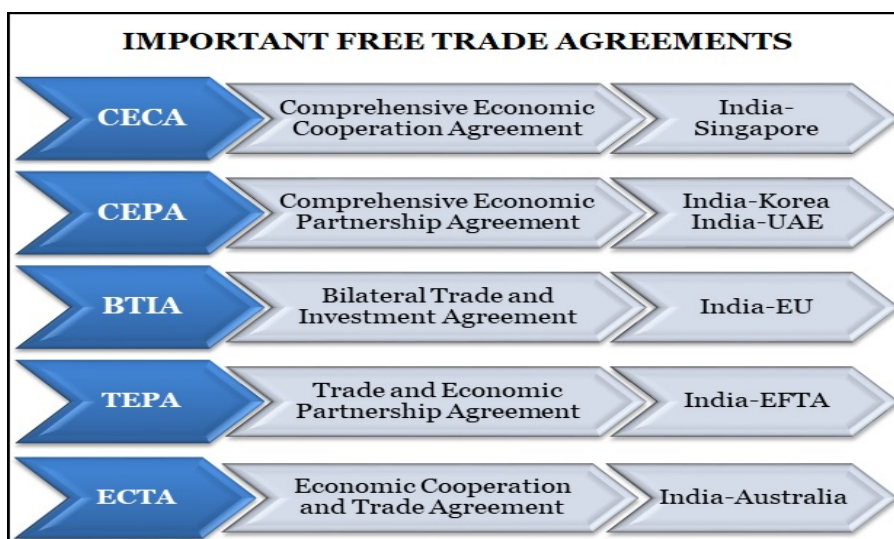
India-UK FTA

Why in news?

India and the UK are negotiating a Free Trade Agreement (FTA) that will reduce tariffs and non-tariff barriers on goods and services.

What is a Free Trade Agreement?

- It is a pact between two or more countries that reduces or eliminates certain barriers to trade in goods and services, as well as investment.



- **Goal-** To facilitate cross-border transactions, increase investment prospects, promote mutual trade, and improve the ease of business.
- **Bilateral FTAs-** India has bilateral FTAs with Sri Lanka, Afghanistan, Bhutan, Japan, Thailand, Singapore, Nepal, Korea, Malaysia, etc.
- **Regional FTAs-**
 - South Asian Free Trade Agreement (SAFTA)- 2004
 - India-ASEAN Agreement- 2010

India-UK Free Trade Agreement (FTA)

- It is a proposed bilateral trade deal that aims to boost the economic ties between the two countries.
 - **Coverage-** 26 chapters including goods, services, investment, intellectual property rights, rules of origin and dispute settlement.
 - **Roadmap 2030 with India-** Launched by UK in 2021 and FTA is a part of this initiative.
 - It outlines a vision for a transformational relationship between the two countries in the areas of trade, defence, security, climate change, health, and education.
- To know more about the lessons to be learnt from UK on FTA, click [here](#)

What are the benefits of India-UK FTA?

For India

- **Future collaboration-** It will serve as a template for an agreement with European Union, India's 2nd largest trade partner.
- **Diversify trade-** It will help India to diversify its trade partners and counter China's influence in the region.
- **Investment destination-** It will be India's 1st comprehensive deal with an industrialized nation, and will help India attract foreign investment and enhance its market access.
- **Potential sectors-** It will benefit sectors such as textiles, gems and jewellery, cars, Scotch whisky and wines by lowering tariffs and increasing market access.
- **Address non-tariff barriers-** FTA deals with standards, regulations and custom procedures that often hamper trade flows.
- **Global trade-** FTA will complement India's other trade agreements, such as the ones with the UAE, Australia, and Israel, and will help India integrate with the global value chain.
- **Bilateral ties-** FTA will strengthen the strategic partnership between the two countries, which share common values and interests.

For UK

- **Boost exports-** UK wants to compensate for the loss of access to the European Single Market after Brexit and boost its exports to India.
- **Access to India's market-** It will gain access to India's large and growing consumer market, as well as its skilled workforce and innovation potential.

What are the challenges with the India-UK FTA?

- **Strict regulations-** Sectors such as agriculture, manufacturing face strict standards and technical requirements in UK market.
- **Affect LDCs-** The FTA will affect the Least Developed Countries (LDCs) such as Bangladesh, which currently enjoy preferential access to the UK market.
- **Issues with GI tag-** India normally provides general protection for violation of Geographical Indication rules, but the UK is seeking a higher level of protection.
- The enhanced protection prohibits the use of a GI if the product does not genuinely originate from the designated area, regardless of whether the public is misled or the true origin is specified.
- **Carbon border tax-** UK's possible tax on imports of high-carbon goods like steel as it mimics the European Union's [carbon border adjustment mechanism \(CBAM\)](#) would affect India's exports.
- **Rules of origin-** It is getting increasingly difficult as the present-day manufacturing is progressively integrated with global supply chains in a much more complex manner than ever before.
- **Non trade issues-** Issues such as labour, sustainability, climate change, emission etc., are indeed complex and offers formidable challenges for Indian negotiators to agree with.

What lies ahead?

- As FTAs are based on mutual benefits, India should negotiate firmly for the UK to offer similar elevated GI protection to Indian products.
- There need to be a more balanced and reciprocal trade relationship, potentially opening new markets and enhancing the global standing of Indian products.

References

1. [Indian Express- Proposed India UK FTA](#)
2. [Economic Times- UK seeks higher protection for its agri GI tag](#)

