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India-UK FTA takes effect on July 15, but the real test lies beyond tariff cuts



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Article Content:

Synopsis

India-UK FTA success depends on improving competitiveness of Indian manufacturers, say industry experts.

The India-UK Comprehensive Economic and Trade Agreement (CETA), which will come into effect on July 15, is expected to provide a major boost to a wide range of sectors. Experts say the immediate duty-free access secured under CETA will significantly enhance the competitiveness of Indian exports in the UK market. They believe the agreement will generate new opportunities for farmers, fishermen, workers, MSMEs (micro, small, and medium enterprises), and manufacturers, while also strengthening India's integration into global value chains.

India-UK bilateral merchandise trade rose to \$23.1 billion in FY25 from \$21.3 billion in FY24, marking a year-on-year growth of about 8.5%. India's merchandise exports to the UK increased from \$12.9 billion to \$14.5 billion during the period, while merchandise imports rose from \$8.4 billion to \$8.6 billion, leaving India with a trade surplus of \$5.9 billion in FY25. For FY26, merchandise bilateral trade stood at \$15.31 billion up to November 2025. India's major exports to the UK include electrical machinery, industrial machinery, mineral fuels, gems and jewellery, and pharmaceuticals, while key imports comprise precious stones and metals, machinery, electrical equipment, and iron and steel.

Summary trade and investment statistics for India

UK trade with India, in current prices (based on the latest four quarters)⁴

Trade	Value in the four quarters to the end of Q4 2025	Change from the four quarters to the end of Q4 2024
Total trade	£47.9 billion	an increase of 10.0% or £4.3 billion
Ranking out of all the UK's trading partners	11th	
Total UK exports	£19.3 billion	an increase of 15.4% or £2.6 billion
Ranking out of all the UK's export partners	12th	
UK exports of goods (percentage of total UK exports to India)	£5.9 billion (30.7%)	a decrease of 3.7% or £225 million
UK exports of services (percentage of total UK exports to India)	£13.3 billion (69.3%)	an increase of 26.4% or £2.8 billion
Total UK imports	£28.7 billion	an increase of 6.6% or £1.8 billion
Ranking out of all the UK's import partners	10th	
UK imports of goods (percentage of total UK imports from India)	£11.2 billion (39.0%)	an increase of 1.7% or £182 million
UK imports of services (percentage of total UK imports from India)	£17.5 billion (61.0%)	an increase of 10.0% or £1.6 billion

⁴'the four quarters to the end of Q4 2025' refers to the 12 months to the end of December 2025

The Economic Times Digital spoke to experts across several sectors to gauge the industry sentiments and assess the likely impact of the India-UK trade deal on their businesses.

Ajay Srivastava, Founder, Global Trade Research Initiative (GTRI), describes the India–UK Free Trade Agreement as an important strategic step but cautions that tariff concessions alone will not automatically translate into higher exports for India. According to him, the UK already has relatively low import tariffs across many product categories, limiting the incremental market-access gains available to Indian exporters, while India's tariff reductions are likely to offer greater advantages to British exporters.

“The agreement’s long-term success would, therefore, depend more on improving the competitiveness of Indian manufacturers than on preferential market access alone,” he says.

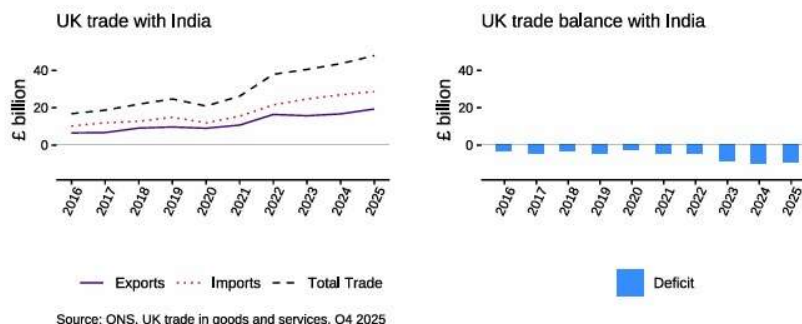
Competitiveness, not tariff preferences alone, ultimately determines whether FTAs benefit India’s economy, he says. “Tariff concessions can open doors, but exporters succeed only when they remain globally competitive on cost, quality, and compliance,” he emphasises.

He also cautions that the commercial gains from the India-UK FTA could be moderated by emerging non-tariff barriers. According to him, evolving carbon-related trade measures and sustainability requirements in developed markets could raise compliance costs for Indian exporters, offsetting part of the tariff advantage offered under the agreement.

Elaborating further, he says that the government should closely monitor the pact’s implementation, including sector-wise utilisation, import trends, and its impact on domestic manufacturing, to ensure the agreement strengthens India’s industrial base rather than merely boosting imports. “Government procurement is one area where the India-UK FTA deserves closer scrutiny. While India has opened a large procurement market to UK companies, Indian firms are unlikely to receive comparable commercial opportunities in the UK, where public procurement remains difficult for foreign suppliers to access,” he highlights.

Engineering exporters have also welcomed the India-UK free trade agreement but say its long-term benefits will depend on factors that extend beyond the headline tariff cuts. The UK is India’s sixth largest market for engineering exports, with the outbound shipments to the country growing 11.7% year-on-year in 2024-25, indicating strong momentum.

The charts below present a time series for trade between the UK and India for each year between 2016 and 2025:



The data that are presented in the charts above are given in the table below in £ billion:

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Value of total trade	16.8	18.7	21.9	24.7	20.9	26.2	37.9	40.5	43.6	47.9
Value of exports	6.5	6.7	9.1	9.7	9.0	10.7	16.4	15.7	16.7	19.3
Value of imports	10.2	12.0	12.7	14.9	11.9	15.5	21.5	24.7	26.9	28.7
Trade balance	-3.7	-5.3	-3.6	-5.2	-3.0	-4.7	-5.0	-9.0	-10.2	-9.4

Pankaj Chadha, Chairman of the apex industry body, Engineering Export Promotion Council (EEPC), thinks the India-UK free trade agreement is a “positive development” for engineering exporters because the industry’s objections to the UK’s proposed tariff-rate quota (TRQ) and countervailing duty (CVD) provisions for steel were taken into account during the negotiations. At the same time, Chadha cautions that while the agreement may be structurally positive, it remains vulnerable to a second wave of restrictions that fell outside the original scope of the negotiations.

“As far as I am aware, India has not secured a clear exemption from the UK’s carbon-border levy. That means the tariff benefits under the FTA could eventually be diluted if carbon-related charges come into effect. While concerns around steel safeguard measures have been addressed to some extent, the bigger question is whether the agreement’s promised gains will translate into actual trade once the UK’s safeguard and carbon-related regulations are fully implemented,” Chadha says.

The immediate gains for Indian steel exporters may be limited, believes Chadha, given relatively modest demand in the UK. He expects the biggest beneficiaries to be companies integrated into automotive supply chains, particularly those supplying to Tata-owned Jaguar Land Rover. “The FTA’s implementation date is now just a few days away, but we would like to highlight that we have flagged the concerns of CBAM-affected exporters to the government. However, we are yet to receive an official response,” he tells ET Digital.

For those in the gem and jewellery sector, this trade pact signals a significant step forward for the jewellery business, as the reduction in import tariffs will make Indian jewellery more competitive and pave the way for improved exports. “It offers a positive environment to demonstrate the unique skills, rich heritage-based design ideas, and modern artistic creations of India to the whole world. Besides facilitating exports, this FTA will help boost collaborations across borders, foster innovation, and improve the level of investor confidence in the industry,” Dishu Somani, Founder of Dishu Designer Jewellery, says.

Under the India-UK CETA, import duties on Indian gems and jewellery entering the UK have been slashed from 2.5-4% to zero. India’s total gem and jewellery exports to the UK are valued at \$941 million, with \$400 million coming from jewellery, as per the government data. “The FTA opens up a huge market as the UK imports approximately \$3 billion worth of jewellery annually,” said the Commerce Ministry in a release.

Shaunak Parikh, Vice Chairman of the industry body Gem & Jewellery Export Promotion Council (GJEPC), says that the India-UK FTA is far more than a tariff agreement; it is a growth agreement. “It gives Indian jewellers a stronger foothold in a premium global market and enhances the competitiveness

of 'Made in India' jewellery. With improved market access and a level playing field, we expect exports to the UK to rise to around \$2.5 billion and bilateral gem and jewellery trade to touch nearly \$7 billion, creating new opportunities for manufacturing, value addition and employment across India's jewellery clusters," he says.

In the case of textiles, CETA will lead to zero-duty market access, down from the earlier 12% duty. The pact eliminates India's long-standing tariff disadvantage against competitors such as Bangladesh, Pakistan, and Cambodia, which already had duty-free access to the UK market.

Rohan Gupta, MD & CFO at Gargee Designer's, says that the India-UK free trade agreement is going to be very transformative for the textiles and apparel industry in India. "The agreement will allow Indian fashion brands to have an easier time establishing their brand presence in one of the most important retail markets in the world. The removal of tariffs is going to allow the brands to compete in terms of quality and pricing, which is going to give them the ability to grow into more competitive industry players," he says.

Experts are of the view that the real significance of zero-duty access is that it removes a long-standing competitive disadvantage rather than creating an artificial advantage. "Indian exporters have historically competed against countries enjoying preferential market access to the UK, despite offering comparable quality and manufacturing capabilities. With tariff parity, buyer decisions are likely to be driven more by reliability, product innovation, compliance, and delivery performance. Equally important are the more flexible rules of origin under the agreement, which provide manufacturers greater operational flexibility while qualifying for preferential treatment," Kanishk Maheshwari, Co-Founder and Managing Director, Primus Partners, says.