

The India – UK Comprehensive Economic and Trade Agreement

TaPP Network Workshop: Insight Note

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In July 2025, India and the UK signed the Comprehensive Economic and Trade Agreement (CETA). This is a landmark trade deal that the UK Government expects to grow the size of the UK economy by £4.8bn annually by 2040 and is expected to increase India's GDP by 0.06% (£5.1bn) annually in the long term.

Key points include the elimination of tariffs on 99% of India's exports to the UK, while 91% of tariff lines will be eligible for tariff-free import into India from the UK¹.

Sangeeta Khorana

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While the trade deal is expected to generate considerable benefits for both countries, it should be viewed as part of a broader strategic alignment between the UK and India. Through the CETA, the UK and India are presented as equal partners engaging with global trade on equal terms, both sharing the goal of adhering to a rules-based system in a geo-politically and economically shifting global landscape. Historically, India has not concluded many free trade agreements and has been strategic in selecting trade partners that align with its long-term development goals. In this aspect, we can read the agreement as a sign that India sees the UK (and the EU) as reliable long-term partners, especially in light of recent US tariffs. From this perspective, the CETA can be seen as a turning point for India, having opted out of the Asia-Pacific focused Regional Comprehensive Economic Partnership (RCEP) in 2018.

India's willingness to participate in CETA demonstrates that the agreement aligns with their national interests: for example, by maintaining flexibility in areas of India's domestic policy. In addition, the agreement provides a framework for UK business to take part in India's service industry as well as reinforcing social

¹ <https://www.gov.uk/government/publications/uk-india-free-trade-agreement-impact-assessment/impact-assessment-of-the-free-trade-agreement-between-the-uk-and-india-executive-summary-web-version>

and business ties between the UK and India, therefore recognising the importance of the UK's Indian diaspora.

From the UK perspective, the deal is expected to be beneficial in strengthening partnerships with the Indo-Pacific region with the potential of leading to more inclusive Indo-Pacific trade agreements covering a broad array of issues including technology and social security.

CETA could be re-shaper of global trade. It reinforces the idea that rules-based trade can co-exist with national strategies and the idea that balanced co-operation, that ensures the sustained growth of both partners, is possible. Overall, the agreement should not be considered an end point but as part of an ongoing process of strategic engagement.

Lyle Wilton

Deputy Chief Negotiator, Department for Business and Trade

CETA is an economically ambitious agreement. It is the UK's biggest single trade deal since leaving the EU and includes chapters in areas which were a first for India, including on labour, environment, gender, anti-corruption, and innovation.

The deal is transformative for many areas of UK industry, including alcoholic beverages, cosmetics, and motor vehicle exports, and gives a considerable advantage to key UK service sectors. Overall, the deal promises a conservative £900 million in tariff savings for the UK even if we only look at existing trade – but it will be considerably more as trade grows due to the FTA (e.g. UK Autos exporters will save a minimum of £1.68bn each year in tariffs if they fill available quotas). Importantly, CETA gives UK businesses access to India's federal £38bn procurement market on better terms than any other country and is considered a significant global advantage. The breadth of the agreement is significant, including commitments in relation to financial and legal services. Many chapters (though not all) are covered by a dispute settlement mechanism.

Of course, there were items that both parties wanted included that did not make it in. However, the negotiations had to be approached pragmatically and realistically in order to design and conclude a deal that was appealing to both India and the UK and would get over the line.

CETA is a framework through which further cooperation between the UK and India can be facilitated – acting as a floor not the ceiling. There are mechanisms in place to facilitate this, including dealing with any issues in implementing CETA's commitments. Both partners would need to be onboard, but there is enough in the agreement and taking place in the wider context to incentivise this cooperation.

Sunayana Sasmal**Research Fellow in International Trade Law at UK Trade Policy Observatory, University of Sussex**

CETA gives both the UK and Indian economies access to what they most need: for India, a gateway to new markets for its labour-intensive exports and an opportunity to export digitally delivered services; and for the UK, access to a huge and growing market for its high-value goods, securing investment opportunities through access to the procurement market, and protection of private-sector rights through wins in IP. Both India and the UK largely retained their positions on sensitive areas such as key agricultural products.

It is a highly ambitious and innovative trade deal from India's perspective. It is also very forward-looking, and includes a forward review mechanism in the digital trade chapter stating that if at any point either party has disciplines regarding data protection or cross-border data transfers within other free trade agreements with third parties, it will also be discussed between the UK and India with a view to establishing similar disciplines between each other. In addition, the agreement includes provisions for future dialogue such as working groups focusing on newer areas like sustainability and gender. However, the details of how these working groups will function remain unclear, including what accountability mechanisms will be included and what exactly they would deliver.

Areas missing from the agreement notably include critical minerals, economic security and investment, despite India's high number of UK investments. The agreement is also missing any discussion of the Carbon Border Adjustment Mechanism (CBAM) or broader climate-linked trade policies. It is worth noting that the services commitments use a positive list rather than a negative list, reflecting a cautious approach. Lastly, the FTA's social and sustainability provisions read impressively however, crucially, are not enforceable.

David Johnstone**Head of FTA Utilisation, Department for Business and Trade**

It is vital to consider how we now capitalise on the success of the agreement for commercial benefit. Businesses need to understand how they can benefit from it; this information needs to cascade into all sectors and bridge the gap between those who worked on designing and negotiating the agreement, and key actors in commercial businesses. It is important to recognise that some businesses will have been tracking the development of the deal and will be very aware of the details while others may not be aware the agreement has been made. The Department of Business and Trade has been building sector-

specific clusters that help the government to talk to businesses about market opportunities and how to best navigate new FTAs.

While the majority of businesses do not plan around FTAs and are motivated more directly by commercial opportunity, FTAs such as CETA can create important commercial opportunities, for example through tariff reductions.

Government teams work with business to smooth points of friction where commitments in FTAs are not manifesting themselves in practice. For example, in a past agreement with a UK partner, access to a government procurement portal was inaccessible as UK IP addresses were blocked – the practical effect being that procurement opportunities were unavailable. Whilst that issue was resolved quickly, ironing out practical frictions such as these will remain an important part of helping businesses utilise the full value of FTAs. Another area of focus is curating trade policy information into more digestible policy guides and technicality guides that are reachable for micro-, small- and medium-sized enterprises (MSMEs). Together this all forms part of the translation role, bridging commercial and policy teams so that FTAs, like the CETA can deliver for business in the future.

Discussion

Discussion in the session focussed on elements not found in the agreement, or linked. Most notably were the ongoing discussions around a bilateral investment agreement between India and the UK which is a key ask for many UK businesses (though also a particular sensitivity for many in civil society and Parliament). The discussion noted the challenge of moving forward on new significant briefs with the larger CETA now concluded.

Questions were raised around the wider implications of the CETA and what it may mean for India's approach to trade policy issues where the agreement marks a seeming change in direction (for example on digital). A certain amount of concern was expressed around the scale of challenge faced by UK businesses that would be seeking to access a market that has historically used either significant tariff-based market access barriers, or more recently, non-tariff measures such as Quality Control Orders. The importance of working closely with teams based overseas was raised as key in this context, not least given the regional variations across India at a State level in relation to trade policy.

More broadly, it was felt that this marked a new stage for both parties: India is certainly keen to forge stronger ties with the West and having an FTA with UK sends out a positive signal to other Western countries. Similarly, many Western countries are now looking East due to the shifting global powers at play and

the change we are seeing in long-standing global roles. Eastern countries are now hotspots of economic activity – India has very high growth rates, a young demographic and a very economically active middle class with high rates of consumption of both low- and high-priced goods. This makes it a very attractive trade partner. From India's perspective, FTAs are a highly-effective way of creating jobs, which is high on India's domestic policy agenda.

Importantly, a lot of broader geo-political moments aligned to create a specific political and economic environment that favoured the development of new, mutually beneficial agreements. Namely, the elections that were held both in India and the UK last year and Trump's sweeping imposition of global tariffs. In light of this, diplomacy proved have a large part to play in passing the FTA. There were a number of notable 'big comms moments' involved in the process, such as President Modi visiting Chequers, as well as the nurturing of long-term personal relations between British and Indian officials which facilitated productive conversations.

However, we should also remember that certain specific issues that were proving particularly contentious were dropped in favour of the agreement being finalised, such as the question of milled rice. This demonstrated that India is ready to move away from its traditional, strong position in favour of making some compromises in negotiations in order to solidify relations and agreements.

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