International Agreements Committee

Corrected oral evidence: UK-India free trade agreement

Tuesday 28 October 2025

4 pm

Watch the meeting

Members present: Lord Goldsmith (The Chair); Lord Hannay of Chiswick; Lord Howell of Guildford; Baroness Lawlor; Lord McDonald of Salford; Lord Marland.

Evidence Session No. 3 Heard in Public Questions 22 - 34

Witnesses

I: Dr Chietigj Bajpaee, Senior Research Fellow for South Asia, Asia-Pacific Programme, Chatham House; Professor Kate Sullivan de Estrada, Associate Professor in the International Relations of South Asia, Oxford School of Global and Area Studies, Oxford University; Dr Ganeshan Wignaraja, Visiting Senior Fellow, ODI Global.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Dr Chietigj Bajpaee, Professor Kate Sullivan de Estrada and Dr Ganeshan Wignaraja.

Q22 **The Chair:** Welcome to this session of the International Agreements Committee. We are in the course of an inquiry into the UK-India free trade agreement. This afternoon, we have the benefit of evidence from Dr Bajpaee, senior research fellow at Chatham House, who joins us virtually; Professor Kate Sullivan de Estrada, who joins us in person; and Dr Wignaraja, who is a visiting research fellow at the Overseas Development Institute.

I will start the questioning. When you first answer, if you wish to say a little bit more about who you are, please do so, but the principal purpose of this session is to get your evidence, views and opinions on the questions that we are dealing with as we scrutinise this treaty.

Let me start by asking a general question. Briefly, how would each of you characterise the UK-India bilateral relationship in recent years? Can we start with you please, Dr Wignaraja?

Dr Ganeshan Wignaraja: Thank you very much, my Lord. It is a real pleasure to be at the committee giving evidence.

It is basically a good bilateral relationship with the potential to grow in the future. The total trade bilaterally between India and the UK was around £44 billion in the four quarters to March 2025. There is a trade deficit for the UK of some £8.4 billion. The FDI stock of the UK in India is about £17.5 billion. The trade pattern reflects the comparative advantage of both countries: India with labour and large domestic market; the UK with skills, deep financial resources and developed industries.

However, I wonder whether the forecasts for trade growth are a tad optimistic. There were some official forecasts that said bilateral trade may grow by £25 billion-plus per year. The reason I say that is that we are facing a global economic slowdown, with great trade uncertainty, protectionism and potential financial market instability with rising geopolitical rivalries.

There are many benefits that may come to both parties. For India, the benefits would be deepening the bilateral relationship with the UK. It would promote the integration of India into supply chains and make it a complementary hub. Lastly, there will be benefits for consumers and professionals on both sides. So, overall, it is a good deal, but we have to treat it with a bit of caution going forward in terms of the benefits we might see in the short run, at least.

The Chair: Thank you. Dr Bajpaee, please can we have your views on this? Perhaps you could also focus on answering the question of whether you that think the UK-India free trade agreement will strengthen the relationship that currently exists between India and the UK?

Dr Chietigj Bajpaee:

First of all, thank you for inviting me to give evidence to this committee. On the first part of the question, the India-UK relationship has clearly gone from strength to strength over the last few years. It has matured beyond long-standing linkages of a common language and legal system, and the diaspora linkages—the so-called living bridge. At a Diwali reception that I attended two years ago, the Indian External Affairs Minister, Jaishankar, referred to the need for both countries to develop new convergences and overcome unrealised potential in the bilateral relationship. We have clearly seen progress on that front in terms of both the symbolism and the substance.

This Government have hit the ground running. We saw the former Foreign Secretary visiting India within his first month in office. We saw Prime Minister Modi’s visit to the UK in July in his first visit since 2018 and, most recently, Prime Minister Starmer's visit earlier this month with a large trade delegation, which was his first official visit to India as Prime Minister.

On the substantive side, we have seen the conclusion of the free trade agreement, the comprehensive economic and trade agreement; the technology security initiative, which covers several critical and emerging technologies; co-operation in the area of education—Southampton University, for instance, being the first UK university to open a campus in India, with other universities following—and the comprehensive strategic partnership being upgraded to the 10-year road map, Vision 2035.

All this reflects the attempt to develop a more multi-dimensional relationship between both countries. There is still room for improvement in specific sectors, such as defence, and in terms of upgrading their interactions.

When they first concluded a declaration of a strategic partnership in 2005, there were plans to have annual summits, but that has not been taking place since about 2015. The 2+2 Foreign and Defence dialogue that was established in 2023 needs to be upgraded from a secretarial to a ministerial level to bring it on par with India’s interactions with other countries such as US, Japan and Australia. There also needs to be a a shift in mindset by reframing the India-UK relationship through the prism of both countries’ broader foreign policy priorities, which we can discuss.

On the second part of your question, on the issue of the trade deal specifically, beyond the substance of the FTA, the symbolism is also equally important by again demonstrating this renewed commitment by both countries to deepening the bilateral relationship. In some ways, I see the India-UK free trade agreement as the equivalent of the civil nuclear agreement concluded between India and the US two decades ago. That was about more than just facilitating civil nuclear co-operation between India and the United States; it was also about deepening the India-US strategic partnership. The FTA is in some ways similar to that, particularly on the Indian side, where it is seen in similar terms. It is a jumping-off point to further deepen the bilateral relationship.

The Chair: But do you see it as having a great symbolic effect as well?

Dr Chietigj Bajpaee: In addition to the substance of the FTA, there is great symbolic significance.

Q23 **The Chair:** Let me turn to Professor Sullivan. Talk to us a little about the benefits that you see for each side of the of the FTA.

Professor Kate Sullivan de Estrada: Thank you very much. I appreciate being here. I am associate professor in the international relations of South Asia at the University of Oxford. I echo what my colleagues have said about the symbolic importance of this trade deal.

We have a time capsule, in a way, of what the bilateral relationship looked like when we go back to the Commons Foreign Affairs Committee inquiry in 2018, when we had a relationship that was not realising its full potential. There was no chance of an FTA on the horizon. Of course, people movement was a big sticking point at that time. Suddenly, here we are discussing a completed deal, so the transformation in seven years is something that we should take note of when asking about the current state of affairs of the relationship.

In terms of the benefits that have accrued to each side from the FTA, it is clear that the UK and India share a de-risking agenda when it comes to their engagement with global trade. India, through the agreement, has been able to cast itself as a credible alternative to China on trade. Beyond that, we see a country that is framing itself as able to engage with rule-based, complex trade with a mature and advanced democracy. That is new for India. It also helps India in its relationships with other potential trading partners with similarly mature economies, as well as in modelling the kinds of economic relationships that are possible between more developing economies and more advanced economies. That is critical for India at a time when it is positioning itself, or trying to do so, as a spokes-country for the global South. That is a baseline set of advantages on the Indian side.

The UK is on the way to achieving its priorities for economic diversification. We know the Indo-Pacific tilt was precisely about anchoring the UK in this trading space in the Indo-Pacific and building away from intense relationships with Europe. It is part of a broader geopolitical alignment. It is a symbol of that in terms of having seen the trade agreement with Australia, New Zealand and now India—all democratic countries sharing similar concerns vis-à-vis China. It also perhaps positions India well in this Indo-Pacific space to begin to influence standards and rule-making in the wider economic architecture of the Indo-Pacific. I see both sides as having achieved geopolitical aims in that regard.

The Chair: Very helpful indeed. Baroness Lawlor, I turn to you, please.

Q24 **Baroness Lawlor:** I should like to ask, if I may, what role has the evolving geopolitical context played in UK-India relations, particularly on trade? Can we start with Dr Bajpaee? You have written about what you describe as a treaty that has some ambiguities and where certain issues are—if I can put it this way—parked for convention and are outside the formal FTA. You mentioned CBAM and mobility issues. What are the implications of these matters in the future trade relationship with the UK? Then I would like the others to comment on other matters.

Dr Chietigj Bajpaee: The geopolitical context clearly matters. We have seen a convergence of interests between both countries, with the UK's quest for post-Brexit market diversification and India's more export-oriented push through its Make in India agenda. Both have a shared interest in preserving the rules-based international order amid concerns about China, growing uncertainty fuelled by the Trump Administration's policies and the push to accelerate efforts to forge agreements between what we could call like-minded countries.

In the case of India, the FTA signifies efforts to show that it remains open for business, despite recent setbacks, most notably the downturn in India-US relations, with the Trump Administration imposing 50% tariffs on India. That has accelerated efforts to conclude trade deals with countries such as the UK as well as the European Union. It has helped to reaffirm India's commitment to strategic autonomy in its foreign policy, which means maintaining a diversified foreign policy, not putting all its eggs in one basket and showing that it is not beholden to the whims of any one country. For the UK, India is of course important, given its democratic credentials, its status as the world's fastest growing major economy, its large market and demographic dividend, its large IT-educated workforce and strong digital ecosystem. Additionally, India's proclivity to offer a more benign world view, which is non-western but not explicitly anti-western, makes it a preferred partner in the global South. That is in terms of establishing the context.

In terms of the process of negotiating the free-trade agreement itself, progress has been achieved by, as you noted, to some degree moving some of the more contentious issues out of the FTA negotiations. These include the issue of national insurance contributions by Indian workers on intra-company, short-term transfers through the separate social security pact, the double contribution convention agreement. That was one issue that was moved out of the FTA negotiation. To some degree, it also kicked the can down the road with a separate bilateral investment agreement still being negotiated. India is seeking exemptions from the proposed carbon tax, which is set to come into force in 2027.

The Chair: You might add professional services, too.

Dr Chietigj Bajpaee: Yes, exactly. Both sides are also making concessions but not actually getting as much as they initially asked for. The UK side did not get as much market access to services as it would have liked. On the Indian side, it has not got as much on the mobility issue as it would have liked, but this is what helped to get the agreement over the line. The broader geopolitical context matters.

Baroness Lawlor: I ask Dr Wignaraja and Professor Sullivan to comment on the question of supply chains and the whole geopolitical context for those that can move without obstacles. To what extent has this been achieved and what are the future implications, given the precarious geopolitical situation we face? Can you to comment a little further, because you raised the interesting question of China and the positioning of India and China vis-à-vis geopolitical diplomacy over trade?

Dr Ganeshan Wignaraja: On global supply chains, China is still dominant in the context of the supply chain trade globally—it is about 20% of global supply chain trade today. India is about 1.5%, so India is not quite there in the global supply chain story. But these supply chains and foreign investment have been shfting out of China in recent years because of rising factor costs, particularly wages, and the Trump tariffs in mark 1 were also a spur.

India offers this very big market, a youthful population and increasing manufacturing capacity. That essentially provides a good story for India perhaps to build its ambition of becoming a complementary supply chain hub.

You see it in the import of goods that are used to further manufacturing—the import of intermediate goods, as they call it. India is the fifth-largest importer of these types of goods. It is no surprise to us that Apple has decided to make most of its iPhones, which are due for the US market, in India.

This was the story before the 50% tariffs that the US recently imposed on India. I have done some modelling numbers which may be pertinent here. When you look at the economic impact of the 50% US tariffs on India, you find that India's GDP growth could slip below the 6% mark which India achieved in recent years. The tariff hit of 50% on India suggests that something like 0.5% of its GDP growth could get lost. India's exports could also decline by around 2%, and and its imports by around 12%.

The sectors in India to get hit could be apparel and pharma—which has some tariff exemptions in the US—electronics, machinery and the like. It may be a pretty big shock for India. On the geopolitical front, India has little choice but to engage with other important players, particularly Europe and the UK.

May I add something on what is in the trade deal? This is essentially the beginning a process, we must not forget. There is a built-in trade agenda in the UK-India FTA, which means that more of the issues we have talked about can be considered in the future. I expect the UK-India partnership to get upgraded and for India to become a more useful player in this supply chain as well as the global trade game. In that, the UK has a very important role given the comparative advantages. The UK still is a very important economy in terms of the high-skill and high-tech bit, the services part and good institutions. India offers other advantages but, for India to really reap a lot of these economic benefits, it has to implement major second generation economic reforms.

India has far too much red tape that strangles investors and makes it difficult for Indian business. India also needs to invest more in trade-related infrastructure such as ports, trade facilitation, energy and digital by doubling its infrastructure investment over time. Indian states have to co-ordinate much better. There is a North/South divide among Indian states. Essentially the South is growing much faster than the North, although some Northern states like Gujarat and Maharashtra attempted to provide, for instance, access to industrial land. Indeed, there is much to do on the Indian side.

The last point I want to make is that trade agreements are not a panacea. They help improve the conditions for business-to-business activity, and that is where both countries really need to make their mark. InvestUK and organisations of that type need to do a lot more promotion. Indian states, as well as India Inc., have to do a lot more promotion in the UK. We need to make a lot of things happen on the ground if we want this deal to realise the envisaged economic gains.

Q25 **Lord Hannay of Chiswick:** Can I ask all three of you to characterise India as a negotiating partner for trade now, in comparison with the way you would have characterised it 10 or 20 years ago? There is no lack of authoritative people who have characterised India 10, 20 or even 30 years ago as highly protectionist. There were accusations of India blocking various multilateral trade rounds and so on.

It seems on the surface, at any rate, as if this UK-India free trade agreement is quite a clear step away from that characterisation. Would you agree with that? Do you think that process will continue, for example, perhaps with a free trade area agreement between the European Union and India? If your answer is that that is the way you characterise it and the way you think things could go, perhaps you could analyse how this came about? What brought this about? What brought India trade policy into a rather different characterisation than before?

There is an additional question which I would like to ask Dr Wignaraja, but perhaps you could answer separately, because it is a little bit of a technical one. Do you consider the UK-India agreement to be consistent with the WTO's Article XXIV provision, which requires free trade agreements to cover "substantially all the trade" between the parties? Do you think that it is consistent with that? Please do not try to answer that one if you until the wider one has been answered.

The Chair: Let us separate those two; it is an important question. Who do you want to put the more general question to?

Lord Hannay of Chiswick: Perhaps Dr Bajpaee could start.

The Chair: Yes. There is a point that I know Lord Howell wants to come in on, which we will come to in a moment.

Dr Chietigj Bajpaee: I do not think I would agree that India has necessarily moved away from the era of being highly protectionist. India remains a tough negotiating partner. We have seen a renewed appetite for concluding free trade agreements in recent years: the recent string of FTAs with the UK, EFTA, Australia, the UAE, and ongoing negotiations with the EU and the US. This has been fuelled by efforts to diversify its export markets to create a more attractive investment destination as part of the current Modi Government's Make in India campaign.

Protectionism does remain well entrenched. Average tariff levels in India have gone up over the last decade, although they have dropped from the days of the infamous License Raj, when it was over 100%. A decade ago or so, India suspended its bilateral investment treaties. The country is not a member of any of the key multilateral trade initiatives in the Indo-

Pacific. It exited the Regional Comprehensive Economic Partnership, RCEP, in 2019. It is not part of CPTPP, which is the successor to the Trans-Pacific Partnership. It is not part of the trade pillar of IPEF, the Indo-Pacific economic framework. It is also reviewing its existing free trade agreement with ASEAN, which was concluded in 2010, which is significant given that ASEAN accounts for about 11% of India's total global trade. In some ways, India is reorienting its trade. It is turning away, to some degree, from the Asia Pacific, and turning more towards the West. We have seen India's share of exports to the EU, the US and the West more broadly increasing, while it has declined to the Asia-Pacific region.

It is more of a reorientation than a push away from its more protectionist tendencies. You can see this also in the way that India is negotiating these free trade deals. We can take the example of the trade deal that was concluded with the EFTA countries last year; this was India's first comprehensive trade agreement with a European bloc or country. We see certain trends that emerged that were repeated in the UK-India FTA and are likely to be repeated again with the EU-India free trade agreement. There was an emphasis on safeguards to protect politically-sensitive and labour-intensive sectors, particularly agriculture, which accounts for over 40% of India's labour force, and emphasis on what it would call a mutually beneficial and reciprocal approach. The EFTA agreement included a commitment to invest $100 billion and create 1 million jobs in India over the next 15 years. There was also a growing proclivity to include chapters on non-trade issues. The EFTA deal included issues on labour standards, social development, environmental protection, and it marked the first time that India allowed for the inclusion of these non-trade issues in a trade agreement. We saw that this set a precedent, and, to some degree, it was repeated in the India-UK FTA.

At the same time, we see that India is not averse to concluding these more shallow, early harvest-type free trade agreements—

The Chair: Dr Bajpaee, I am going to have to pause you I am afraid. I will explain to you and to visitors here that we have votes this afternoon in the House of Lords. Those are indicated by the bell which is going. That means that the session now has to be suspended while members, or at least those who wish to, go and cast their votes. Then we will resume, although it may take up to 10 minutes to do so.

Sitting suspended.

The Chair: Thank you for those answers. I am going to ask Lord Howell, if I may, to pick up on a question that I know he wanted to ask.

Q26 **Lord Howell of Guildford:** I wanted to go back to the evolving geopolitical context, although actually we are all talking about the same subject. By far the biggest growth in trade at the moment in the evolving context is, of course, in weaponry, defence and all the complex supply chains, mostly related to silicon chips and electronics, which support the expanding defence industry. It is well known that India has relied heavily on Russia for defence equipment in the past. But now, in this age of drones and new technology, the current British export to India is in the region of something like £2.5 billion. Does this treaty really exclude all that, or is it going to overlap? Quite a lot of it, whether you like it or not, is going to overlap. A chip may go into a domestic item or a missile. What is the scene on the defence side?

Dr Ganeshan Wignaraja: I expect that some of the defence procurement will happen through supply chains in a two-way fashion. India has some large defence manufacturers, and they would certainly benefit from technology transfer from the UK. The skirmish with Pakistan has really woken up the Indian defence establishment to want to look much more closely at getting technology transferred in order to change practices as well as some of the technologies. Chip manufacturing is beyond India at this current stage of its evolution in supply chains. India is strong in assembly operations in supply chains but does very little domestic R&D and lacks a deep base of industrial supplier firms. That is the basic problem of Indian industry today. There is also insufficient investment in some of the IT services. May I answer the WTO question as well? It was posed to me earlier.

The Chair: Yes please—I was going to ask you to do that.

Dr Ganeshan Wignaraja: On the question of whether the India-UK FTA is compliant with WTO rules, one interpretation is that it covers substantially all trade, according to the definition in Article XXIV. This is the case because the India-UK FTA covers at least around 90% of tariff lines. Tariff elimination will happen on 99% of Indian exports to the UK, and 85% of these will become tariff-free within a decade. This will rise with 90% of tariff lines also being opened up.

The second bit is that one expects this trade deal to be notified to the WTO once both countries complete their domestic procedures, such as this parliamentary ratification process that we are going through, for the deal to enter into force. This is all likely in 2026. So it is compliant, at least on the basic goods part, and it will have this built-in agenda, which means that it will go beyond the WTO into lots of other issues—services included, and things of that type. Investment will be part of it. The bilateral investment part will come, I am sure, down the line and so on. So, overall, it will be very useful, going beyond global rules.

Lord Hannay of Chiswick: So you are interpreting Article XXIV as meaning that it has to cover all the tariff positions but not take them all to zero?

Dr Ganeshan Wignaraja: That is correct, but there is enough there. Of course, there are sensitive sectors, and agriculture is one of those that India continues to protect, mainly because that is also the voter base for the ruling party. There is a strong interest in that. That is where the tough negotiation part comes in. India historically has not put much agriculture market access into its trade deals, and that should be looked at.

May I add just one more point on this? The data suggest a mixed picture on India’s trade opening. India’s weighted average mean tariffs have fallen significantly from 56% in 1990 to 6% most recently. Bangladesh has such tariffs at 11%, South Africa at about 7%, and Egypt at 17% or 18%. So India is in the tariff ballpark for large developing countries. Where India needs to do more is on trade openness and exporting relative to the size of its economy. India has changed over the last period in terms of its trade opening policy. The current wave is not quite reflected in those stats. The country’s push towards FTAs with major countries like the UK and EU will gradually increase the trade openness of India.

Q27 **Lord McDonald of Salford:** We are talking about the foreign policy priorities and strategies that have shaped this negotiation. All three of you have a long-standing interest in the bilateral relationship. Have the priorities changed over the course of the negotiations, or were they set at the beginning and steady throughout? I am looking at Professor Kate.

Professor Kate Sullivan de Estrada: Thank you for looking at me. I have a queue of about four questions to address, so let me try to weave those together with my foreign policy expertise. I absolutely agree with Dr Bajpaee that India remains protectionist. I go back to the question about whether India has changed as a negotiating partner, whether that change will continue and why it is the case. This loops back to both the point about China and this idea of whether foreign policy priorities have shifted.

The Chair: I was there 10 days ago. I am a lawyer, so I have seen protectionism in operation still.

Professor Kate Sullivan de Estrada: I am agreeing on protectionism—absolutely. One way to try to understand the world view of the Indian leadership at this moment might be to look back at the External Affairs Minister’s address to the Kautilya Economic Conclave in New Delhi earlier this month. Everything he set out there was like an anxiety dream—except, of course, it is all true. He dwelt on narrow and fragile supply chains; the attendant risks of overexposure, pointing to China as being responsible for one-third of all manufacturing; worries about overdependence; and worries about new kinds of financial sanctions, of course, that India has watched be applied to Russia. Obviously there are concerns, perhaps, that such tools could be wielded elsewhere in the future. He pointed to the things we all know about the competition for rare earths, critical minerals, and also the sociopolitical backlash against mobility that is emerging in several western European countries and also the United States. When you see the world through this lens, I think it is quite clear that there needs to be a step change in India’s ambition for trading relationships and trading partnerships.

There has definitely been a shift in tone and ambition. The External Affairs Minister himself has called it a course correction. It is not simply looking around at the international economic scenario and worrying. It is also that India, like other global-South countries, has really faced a number of big challenges through the Covid pandemic and of course, through Russia’s invasion of Ukraine. All of these hit the prices of fertilisers and other commodities, these are big economic challenges.We are in an ever more turbulent context. India is looking for ways to diversify its trading relationships. An important thing that Jaishankar said at the start of this month was that when we look at trade, instead of looking just at economic cost, we also need to look at reliability, resilience, ownership and security in those kinds of economic relationships. I think that helps to explain why there is this greater symbolic appetite for more relations. Of course, China features across multiple of those challenges that I have just set out.

Lord McDonald of Salford: Can I press you very slightly? I see that China is the biggest factor—the biggest worry—but you also touched on the Ukraine war, and Russia has been a traditional friend of India. It is becoming more difficult to be a friend in the international community of Russia. Is India reassessing its relationship with Russia, or not really?

Professor Kate Sullivan de Estrada**:** I would refer everyone to the 2023 interview in the *Economist*, again with Jaishankar, where he said that every time India takes a step forward in one of its relationships, it wants to take a step forward in all of its relationships. This is about trying to spread its opportunities, and it would be foolhardy to reduce the relationship with Russia just to defence imports. It is clear that that is a long-standing relationship that matters to India and will not change any time soon, regardless of whether defence dependency decreases.

Q28 **Lord Howell of Guildford:** The question I put earlier follows exactly from that about armaments. The word has been that, for the last 30 years, India has built up a huge relationship importing and trading in armaments, particularly with Russia. As you have just been describing, the stance of the Indian political establishment is to be definitely looking both ways at once. I think Mr Modi was in Kazan with the Shanghai Co-operation Organization at one stage, and then very soon after that he was chairing the G7, or it may have been the other way round. That is quite understandable. But how is this playing out in a world in which, frankly—and I am not sure I have got your full agreement here—the defence equipment, civilian equipment, electronics, silicon chips and advanced processors are all wrapped up together? These things do not come separately, and therefore we are trying to probe as to how that market is changing, and whether we have got a chance of getting in rather more than we have in the past on the weapons side because of Russian dominance. Could you just say a little more about that?

Professor Kate Sullivan de Estrada**:** I will probably hand over to my colleagues for how those supply chains are evolving, because that is not my area of expertise.

Lord Howell of Guildford: Any takers?

The Chair: Does either of you want to comment on that? You have been invited to by Dr Sullivan de Estrada.

Dr Chietigj Bajpaee: Yes, I have a few thoughts on the issue of deepening defence co-operation. Of course, there is a 10-year defence industrial road map that was announced earlier this year by the UK and India, which will help to facilitate a shift away from procurement towards co-development and co-production of specific platforms.

That being said, it will be easier said than done. Just over 3% of India's defence acquisitions over the last decade have come from the UK. Compare that with, say, France, which has emerged as India's second largest arms supplier. Some of that is due to structural challenges arising from India's difficult defence procurement procedures. But there is also an issue here specific to the India-UK relationship, which is that New Delhi prefers to do defence deals at a Government-to-Government level rather than at a business-to-business level. That explains to some degree its comfort level of working with countries such as Russia or France over, say, the UK, where defence deals are often more commercially rather than strategically driven.

On the reliance on Russian military hardware, we have seen a push by India to reduce its dependence on Russian military hardware, which has dropped from about 72% of its total arms imports from 2010 to 2014 to about 36% from 2019 to 2023. But over 50% of India's in-service military platforms are still of Russian origin. So, India maintains a heavy dependence on Russian military hardware and spare parts.

The reasons why Russia remains a preferred partner for India also explains the underlying challenges for India-UK defence co-operation. Moscow has a willingness to provide arms at reasonable prices without end-user constraints, often being more willing to supply sensitive technologies that other countries are not.

That being said, there is a period of strategic opportunity, particularly in the aftermath of the Russian invasion of Ukraine. India has not placed any major defence orders with Russia since the war in Ukraine began. This has been fuelled by Russia prioritising its own defence needs. There have been delays in the delivery of some spare parts. There have been Indian concerns about Russia's growing dependence on components being sourced from China. India's Ministry of Defence has ordered a screening of its defence systems for Chinese parts and technologies, which opens up space for other countries, including the UK, to potentially make inroads.

Lord Howell of Guildford: Just quickly, you are aware, are you not, of the latest Chinese official view that it imports Russian arms but that they do not work?

Lord Marland: Just following on from that, China also imports oil and gas from Russia, and washes it and exports it to other countries, which is another reason for suspicion, is it not?

Dr Chietigj Bajpaee:

There are some signs that India may be seeking to reduce its dependence on Russian crude with the latest pressure from the Trump Administration—sanctions on Rosneft and Lukoil, which will also entail secondary sanctions on any companies that deal with those sanctioned entities.

Of the 5 million barrels per day that Russia exports, India currently imports about 1.5 million barrels per day. Obviously, Indian companies that were buying Russian crude from those sanctioned entities would lose access to US capital markets and western insurance and shipping markets, although they could still buy from non-sanctioned entities.

Historically, India has been somewhat more responsive to western sanctions than, say, China. We can look back to 2018 when the US terminated the JCPOA, the Iran nuclear agreement; we saw a significant drop in India's purchase of Iranian crude. India is responsive to these pressure points.

That being said, just to look at the broader point, again, India is not going to sever its relationship with Moscow. There are both practical and ideological reasons driving that relationship—co-operation, as we have already discussed, defence, energy, and in areas such as space and nuclear. There is also, as I said, a strong ideological and historical component to that relationship, which is not going to be easily overcome. New Delhi's position is that its close relationship with Moscow does not equate with an endorsement of Russia's actions in Ukraine. If anything, its dependence on Russian oil imports has helped to stabilise global energy prices.

Q29 **Lord Marland:** Back to the treaty itself, what are the implications for the development of this treaty in terms of other people's views about it internationally, for example? Is this a blueprint for new Indian trade deals?

Dr Ganeshan Wignaraja: This is India's most advanced trade deal, as of now, and its first with a major developed country. Australia is an important country, but it has a lot of agriculture and mining, so it is a different kettle of fish from the UK. There is some talk in India about the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is the mega trade deal involving 12 countries, including Japan and the UK. As Indian business gains confidence with the UK-India FTA, and as the bilateral relationship evolves and India does the reforms mentioned earlier, it could look at the costs and benefits of joining the CPTPP.

Joining the CPTPP is also attractive for India because China is not part of it. Opening to China presents a worrying scenario for Indian businesses because they fear the absolute advantage that Chinese business sometimes brings to the table and the subsidisation we hear of—the attractive production subsidies and cheap electricity they have in China.

India might also use it as an opportunity to improve its internal trading between the states within India and bring in higher technology and standards.

So, yes, the UK trade deal could have knock-on effects, but much of it depends on the implementation of the agreement. The rules of origin and the bureaucracy surrounding them are obviously a big concern. A lot of the benefits of trade deals do not accrue to countries because the rules of origin are too stringent or the bureaucracy around the local content regulations become a bottleneck.

The second issue is whether small and medium enterprises in both the UK and India can benefit. Usually, it is the large firms that gain because they know each other's markets and they have invested in the people, the software and the other systems to get to know those markets.

The third thing is the lobbies that may be there—there are protectionist lobbies in India, as well as, even, in the UK and other countries—and whether the pro-trade groups can advance this. There is a lot of homework to be done, particularly by business lobbies as well as Governments, to make sure that this agreement works in a way that can not only improve trade relations but have a built-in agenda for further integration between the UK and India, which are natural trading partners, partly because of the Commonwealth effect. There are common institutions, a common language, a common legal system and a lot of people have studied here in the UK. These ties are very deep. These things are very valuable and can be very useful going forward.

The Chair: Baroness Lawlor, do you want to ask about the future?

Q30 **Baroness Lawlor:** Yes, we are going to look at the future. What about the future bilateral relationship between India and the UK? What do you think this trade deal anticipates in respect of the future bilateral relationship, particularly for trade?

Professor Kate Sullivan de Estrada: To be honest, the FTA definitely marks a milestone in the UK-India relationship. That is absolutely clear. But, in a way, mobility is an unresolved point. I will give you two examples of some of the assessments of the free trade agreement coming from trade experts in India. One is that mobility continues to be the touchstone of confidence in the relationship—can we have that confidence without a more liberal approach to mobility? Another described the deal as commercially wide but socially shallow. Is our current stance putting a ceiling, essentially, on how deep the strategic trust can be between the two countries?

Baroness Lawlor: I think you said earlier, Professor, that because mobility is a very big question for the UK, you understand the domestic political imperative of cutting both legal and illegal immigration. Indeed, in the FTA there is some explicit capping of the numbers of those who will come in connection with professional activities. You mentioned earlier that you thought India would have to be more realistic in its anticipation and aspirations if both countries were to build for the future on this relationship. Will it give way on the mobility question? That will be very important for any Government in the UK.

Professor Kate Sullivan de Estrada: In a way, I think it has given way on mobility questions in the formulation of the FTA we currently have, but I do not think that takes away the friction of students, such as the ones I teach, skilled workers and service suppliers facing high fees, narrow eligibility routes and complex documentary requirements. Even when people can move, they move with great difficulty. I think that this will continue to be a pressure point that makes its way through to the political leadership and will continue to serve as an irritant.

Q31 **The Chair**: I would like to ask you this myself. If we look at future engagement in multilateral settings, is this FTA likely to strengthen that future engagement and how do you see that happening?

Professor Kate Sullivan de Estrada: I think my colleagues can answer this in more detail. We know that global trade is in crisis. We know that some of the big fault lines previously, for example, during the Doha round of negotiations, were between global North and global South countries. So, if I may take your question and spin it into a question for my colleagues, I am curious to know the extent to which the UK and India, having brokered the deal and having listened to each other and one another's concerns, have something that they can do in future in the WTO or in other parts of the Indo-Pacific trading network that is emerging that would bridge any of those divides. It is quite an exciting and ambitious achievement, and I am curious about what it means.

The Chair: Let us turn to Dr Bajpaee. Do you have a view on that?

Dr Chietigj Bajpaee: Yes. Perhaps I will frame it through a broader lens on the need to embed the bilateral relationship through both countries' broader foreign policy priorities. Engagement with India needs to be seen through the prism of the UK's broader engagement with the global South. India wants to be and refers to itself as the so-called voice of the global South. As I mentioned, it wants to project a more benign worldview, which is non-western but not anti-western. That makes it a preferred partner and there are potential areas of co-operation—from digital public infrastructure to education and global health.

We talk about multilateralism, but it is also important to consider minilateralism. This means the UK and India working with third countries and strengthening trilateral engagement—whether it be the UK, India and the US or the UK, India and France or the UK, India and Australia. There are various mechanisms through which that can be done, for instance, the UK inviting India to participate in the second pillar of AUKUS. This focuses on critical and emerging technologies, working on selected areas such as artificial intelligence. It could include India inviting the UK to participate in initiatives such as the Quad. There are initiatives on critical minerals, for instance. It could mean co-ordinating joint naval exercises; India conducts joint naval exercises with the UK and France. There is potential for trilateral engagement on that front. So I think there are several ways, both through multilateral and minilateral mechanisms, through which both countries can deepen engagement and co-operation.

The Chair: That is looking at the positive side. Lord Marland, would you like to bring us to the conclusion of our session?

Q32 **Lord Marland:** That is very kind of you, Lord Chairman. You have referenced some of these in your answers so far, but what do you think are the dynamics that could really strain this? You have mentioned the mobility issue and the bureaucracy and lack of economic reform in India. Are there any others that you would like to amplify for the benefit of this committee?

Professor Kate Sullivan de Estrada: I would be interested to know how far either the committee or the negotiating parties listen to domestic concerns within India about the deal. I ask because we know that international development is a declining priority, at least in terms of the funding the Government are allocating to it. I wonder whether, moving forward, there needs to be more of an onus on bilateral, equitable trade partnerships if India becomes a template of something the UK can do with the global South. That does not mean giving partners a special deal, but it might mean listening to domestic concerns where they arise.

That might be particularly important at a time when, in India, the press is not as free as it used to be and there are pressures on academics and colleagues working at think tanks, who perhaps cannot express themselves as they would choose.

One example is the Forum for Trade Justice, a group of 100 civil society organisations and trade policy researchers in India. The fact that they are clubbing together to make their views known is perhaps important to note. It is worth looking at the press release they put out in the wake of signing the agreement. They are concerned not just about certain parts of the agreement, particularly intellectual property, digital governance, procurement and services, but precisely the thing that we have been celebrating—whether this FTA is a model that India will take forward to other relationships, particularly with the WTO. They have also expressed concern about limited public and parliamentary consultation. This is just to raise a flag on whether that issue could be dwelled on with more attention.

Q33 **The Chair:** Dr Wignaraja and Dr Bajpaee, are there other things that may cause strains, as Lord Marland asked, to the relationship in future?

Dr Ganeshan Wignaraja: Multinational activity in both countries is going to be very important. Going forward, the investment part of this deal, if we get a bilateral investment treaty and other things, will be critical, and whether investor-state dispute settlement and intellectual property come into effect will be very important.

May I just add one other point that could be very useful? One hopes that this India-UK trade deal can also be multilateralised in some form to benefit smaller south Asian countries such as Sri Lanka and perhaps Bangladesh. For this to happen, India needs these bilaterals with its neighbours and the UK needs to make the developing countries trading scheme much more effective for those smaller countries. Then, eventually, the same conditions in this trade deal can be provided to others. Within the Commonwealth context, the UK could consider providing something like this to South Africa, for instance, and then maybe even to larger countries such as Nigeria. There is a lot of potential for this north-south deal that the UK has played a major role in if we do the right things now.

Lord Howell of Guildford: I was going to say that we had not had a mention of the Commonwealth in this discussion, but we have just had one.

Lord McDonald of Salford: This is the second.

Baroness Lawlor: Yes.

Lord McDonald of Salford: The Commonwealth framework was mentioned by Dr Wignaraja.

Q34 **Lord Howell of Guildford:** India is half of the Commonwealth, but has this made the slightest difference or will it make the slightest difference to it in future? Some think this is the future and others think there is no future at all in it. Which side should we be on?

Dr Ganeshan Wignaraja: We should think of it as the future, but the Commonwealth is really a voluntary club. The trade deal part—the rules, incentives and preferences—could be important. I used to work for the Commonwealth Secretariat, so have seen how it works and the useful role it plays, but I think trade deals are a missing part of Commonwealth economic activities. One hopes that, at least for the larger players, this UK-India trade deal could be a model—South Africa would be the obvious one, Nigeria would be another. It could be very useful as some of the provisions are there. The UK could be at the centre of a hub and spoke arrangement for trade with the global South. That was the missing piece that I think Professor Sullivan was alluding to. We should look at that much more boldly. The UK needs to be bold in this post-Brexit scenario and look at these key players and key markets.

The Chair: That is an optimistic prospect on which to finish this session. Thank you all very much indeed. Your evidence has been enormously helpful to us in producing our report and I am grateful to you for being here.