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UK–India free trade agreement: Scrutiny of the Government’s Negotiating Objectives

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Q in footnotes refers to a question in oral evidence.

SUMMARY

The potential economic benefits to the UK of a trade deal with India are higher compared to other post-Brexit agreements concluded to date. A growing economy and expanding middle class in India with an appetite for specialised education, insurance and healthcare services, provide significant opportunities for UK businesses and the services sector in particular. The two countries already have many cultural, trade and professional links but there is room for expansion. The Government's efforts to conclude a trade deal with India are therefore to be welcomed.

We however question the value of setting any deadlines for the conclusion of negotiations—let alone, like in this case, a short end of October one. With Australia and New Zealand, there was a clear rationale for concluding negotiations at speed to facilitate accession to the CPTPP. In this case, the deadline appears arbitrary. It risks giving up a good deal for a fast one and sets a time over and above content. This is particularly pertinent in the light of India's own record in concluding free trade agreements (FTAs). We welcome the assurances given by the Rt Hon Anne-Marie Trevelyan, Secretary of State for International Trade, that the Government will only sign a deal by Diwali if it is good for UK businesses.

The Negotiating Objectives set for this deal are presented out of context and at times appear overly ambitious and unrealistic. It is hard to judge them given how vague and high level they are, but some seem particularly unattainable.

This is because India has a notoriously difficult business environment—corruption levels are high, business permits are difficult to obtain, tax and customs processes are complex, levels of contract enforcement are low, and IP protections are limited. The negotiations will need to focus on addressing these issues, while acknowledging that in some cases this may require changes to India's domestic laws, which may be unrealistic to achieve or take a very long time. Yet the Government's Strategic Approach provides only limited information on the challenges of doing business in India and how these may be overcome. A key measure of success will be whether UK businesses notice a positive difference once any final deal is implemented.

Given the desire to facilitate UK investment into India, it would be essential for investors to have access to independent and robust dispute settlement, yet the Negotiating Objectives neither include investor-state dispute settlement (ISDS) provisions, nor set out an independent and enforceable alternative.

The aspirations in the Negotiating Objectives are also challenging because some would require changes to India's own cultural and legal approach, which are difficult to achieve, or would take a long time. The Government has not been specific about the importance it will give to human, environmental and other rights and protections, nor (in most cases) about its red lines. On the environment, the Government's Strategic Approach does not explicitly refer to the carbon intensive nature of India's economy, nor does it provide clear information on the impact of the FTA on overall greenhouse gas emissions. There is an opportunity to use the trade relationship to strengthen co-operation on mitigation measures and support the decarbonisation of India's economy, but we regret that this is not reflected in the Negotiating Objectives.

India's reputation as a difficult negotiating partner, its history of relatively thin FTAs and different approach to regulation all raise questions over whether a comprehensive trade agreement with India is achievable in the short term. An early interim agreement—like the one India recently concluded with Australia—could lock in early gains, but could equally make a more comprehensive agreement more elusive if too many early concessions are made. The Secretary of State has emphasised that the Government intends to conclude an agreement that is comprehensive, but it is unclear how comprehensive it can be and what areas will be prioritised for inclusion.

For the Committee, it is hard to judge the Objectives given their lack of specificity, but also because we lack a context for them. The Government has failed to produce an overarching trade policy showing how trade fits into its foreign, defence, environmental and domestic objectives. Indeed, given the current circumstances where India has not only failed to support the UK-led sanctions against Russia but has increased its trade with it, it is unclear whether the Government is planning to factor this into our trade relations with India. We reiterate our call, previously made in our report on the UK-Australia FTA, for the Government to publish a comprehensive trade policy, and we welcome the Secretary of State's commitment to considering our request further during her only evidence session with us.

We make this report to the House for debate.

UK–India free trade agreement: Scrutiny of the Government’s Negotiating Objectives

CHAPTER 1: STRATEGIC CONSIDERATIONS

1. The Government’s ambition for a trade deal with India is to be welcomed. India’s historical reluctance to enter trade agreements has eased over recent years, with the Modi government concluding trade agreements with the UAE and Australia earlier this year. The UK therefore has an opportunity to build on the existing UK-India trade relationship and negotiate better access to a growing Indian market. At the same time, the negotiations entail significant challenges and risks the Government will need to address or balance. They are set out in more detail in this chapter.

The strategic case

2. The UK Government has identified the ‘Indo-Pacific tilt’ as one of the core components of its international and export strategies, which includes deepening trade relations with India.
3. India is widely expected to overtake China to become the world’s most populous country by the end of the decade,¹ and the world’s third largest economy within 15 years.² A growing economy, as well as a growing middle class and consumer market,³ make India an attractive trading partner for the UK.
4. The Department for International Trade’s (DIT) modelling in its Scoping Assessment estimates that an FTA could lead to between a 0.12% and 0.22% increase in GDP by 2035, depending on the depth of the negotiated outcome.
5. It estimates that UK exports to India could increase by between £8.8bn (+50%) and £16.7bn in 2035. UK imports from India could increase by between £5.2bn (+30.7%) and £10.9bn (+63.7%) in 2035.⁴

1 UN Department of Economic and Social Affairs, ‘World Population Prospects: 2019’: <https://population.un.org/wpp/> [accessed 20 July 2022]

2 See, for example: CEBR, ‘India to become 3rd largest economy in 2031’ (26 December 2021): <https://cebr.com/reports/india-to-become-3rd-largest-economy-in-2031-says-cebr/> [accessed 20 July 2022]; PWC, ‘The World in 2050’ (February 2017): <https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html> [accessed 20 July 2022]; Bloomberg UK, ‘An Economist’s Guide to the World in 2050’, 12 November 2020: <https://www.bloomberg.com/graphics/2020-global-economic-forecast-2050/> [accessed 20 July 2022]

3 DIT, *An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India* (25 May 2022), pp 11–12: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989234/dit-india-uk-consult-info-note.pdf [accessed 20 July 2022]

4 DIT, *UK-India Free Trade Agreement: The UK’s Strategic Approach* (13 January 2022): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1046839/uk-india-free-trade-agreement-the-uks-strategic-approach.pdf [accessed 20 July 2022] Subsequently: *Strategic Approach*

Negotiating challenges

Feasibility of a comprehensive agreement

6. As the benefits to the UK will be heavily dependent on the depth of the negotiated outcome, the UK Government understandably is focusing on securing a comprehensive trade agreement. The joint statement by the Prime Minister and Prime Minister Modi on 22 April 2022 noted that both Parties were seeking agreement “on a comprehensive and balanced Free Trade Agreement”.⁵ However, India’s history of trade protectionism and preference for ‘thin’ deals, alongside other UK Government communications referring to the possibility of an interim deal, have cast doubt over whether a comprehensive trade agreement will be achievable.
7. Although India has struck so-called comprehensive agreements with South Korea, Japan, and more recently the UAE, the agreement with Australia this year was an interim deal focusing mainly on goods and services,⁶ and there are reports that India is now also pursuing an interim deal with Canada, with which it has been discussing a comprehensive trade deal on and off for 12 years.⁷ When giving evidence to the Committee, the Rt Hon Anne-Marie Trevelyan MP, Secretary of State for International Trade, emphasised that the Government is focused on securing a comprehensive deal, “... we want to do a deal that is far beyond a tariffs trade deal only. We are looking to negotiate something much more comprehensive.”⁸
8. Comprehensive trade agreements often include provisions that touch on domestic policies, including on intellectual property, standards, data protection, women and labour rights, and environmental protections. India’s very different regulatory environment and approach to some of these issues make agreement on a comprehensive trade deal particularly challenging. The fact that the UK is not one of India’s top trading partners—ranking only as India’s 17th largest trading partner for goods⁹ means the UK Government’s leverage to secure changes to India’s domestic policies will be limited. Even if India agreed to make changes to its domestic legislation, implementation could take a long time. We do not see how the Negotiating Objectives can be

5 Foreign, Commonwealth and Development Office, ‘Joint statement by Prime Ministers Johnson and Modi’ (4 May 2021): <https://www.gov.uk/government/publications/india-uk-virtual-summit-may-2021-roadmap-2030-for-a-comprehensive-strategic-partnership/joint-statement-on-india-uk-virtual-summit-4-may-2021-roadmap-2030-for-a-comprehensive-strategic-partnership> [accessed 20 July 2022]. The Strategic Approach notes that “As part of the government’s commitment to secure the best deal for the UK, within negotiations we will consider the merits of an Interim Agreement as a potential option to deliver early benefits”, p 5.

6 Written evidence from the UKTPO (IND0036)

7 See: Government of Canada, ‘Canada-India Comprehensive Economic Partnership Agreement negotiations - Background information’ (March 2021): <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/india-inde/fta-ale/background-contexte.aspx?lang=eng> [accessed 20 July 2022], ‘Negotiating teams from India, Canada to fine-tune scope of proposed free trade pact next week’, *The Hindu Business Line* (20 May 2022): <https://www.thehindubusinessline.com/economy/negotiating-teams-from-india-canada-to-fine-tune-scope-of-proposed-free-trade-pact-next-week/article65440155.ece> [accessed 20 July 2022] and, ‘India, Canada weigh interim trade pact’, *The Indian Express* (12 March 2022): <https://indianexpress.com/article/business/india-canada-weigh-interim-trade-pact-7816015/> [accessed 20 July 2022].

8 Oral evidence taken before the International Agreements Committee on 13 July 2022 (Session 2022–23), Q 14 (Rt Hon Anne-Marie Trevelyan MP). See also her response to Q 4.

9 Government of India, Department of Commerce, ‘Export Import Data Bank: Total Trade: Top countries’ (29 June 2022): <https://tradestat.commerce.gov.in/eidb/> [accessed 20 July 2022]. By way of comparison, the USA ranks as India’s top trading partner for goods, with Germany being the top European partner (ranked 11th).

met (and businesses benefit) without India agreeing to make some changes to its domestic laws or practices.¹⁰

9. This raises the question how comprehensive a comprehensive deal should be, and what the UK Government would consider to be its minimum requirements. We regret that the Negotiating Objectives do not set out the areas the Government would be prioritising.
10. Witnesses commented on the risks of a ‘thin’ or interim deal. The UKTPO told us that while an interim deal may be achieved, there could be “a real possibility that the process between the UK and India stops at the interim agreement without ever proceeding to the full FTA stage”.¹¹ They also noted that a selective interim agreement could be less likely to satisfy the requirements under Article 24 of the General Agreement on Tariffs and Trade (GATT) under WTO rules.¹² Sangeeta Khorana, Professor of Economics at Bournemouth University, told the Committee that “the strategy of negotiating the ‘difficult’ sectors at a later date runs the risk of impeding the progress of talks” and undermine the conclusion of a broad FTA.¹³

Asymmetry between UK and India’s business environments

11. The last publicly available Doing Business report from the World Bank ranks the UK eighth in the world for ease of doing business, with India being ranked 62 out of 190.¹⁴ Corruption has an adverse impact on doing business, yet Transparency International’s latest corruption perception index shows that corruption levels in India are high.¹⁵
12. For example, it is widely said that the payment of ‘facilitation fees’ at all levels is part and parcel of conducting business in India.¹⁶ Yet such practices are unlawful under the UK Bribery Act 2010¹⁷ and businesses operating in the UK could be prosecuted for engaging in them, either directly or via a subsidiary. The Government’s Negotiating Objectives are too general and vague on this issue, aiming simply to “provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions”¹⁸ without considering the practices that are specific to India.

10 Oral evidence taken before the International Agreements Committee on 13 July 2022 (Session 2022–23), Q 8 (Rt Hon Anne-Marie Trevelyan MP)

11 Written evidence from UKTPO (IND0036)

12 GATT Article 24 (8)(b): “A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.” WTO, ‘GATT Article XXIV’: https://www.wto.org/english/tratop_e/region_e/region_art24_e.htm [accessed 20 July 2022]

13 Written evidence from Professor Sangeeta Khorana (IND0026)

14 World Bank, ‘Doing Business Project’: https://data.worldbank.org/indicator/IC.BUS.EASE.XQ?name_desc=true [accessed 20 July 2022]

15 In 2021, Transparency International’s Corruption Perceptions Index scored India as having serious corruption problems. See: Transparency International, ‘Corruption Perceptions Index 2021’: <https://www.transparency.org/en/cpi/2021> [accessed 20 July 2022].

16 CNN, ‘1 in 2 Indians paid a bribe at least once in the past year, survey finds’ (28 November 2019): <https://edition.cnn.com/2019/11/27/asia/india-corruption-bribe-intl-hnk-scli/index.html> [accessed 20 July 2022]

17 Ministry of Justice, *Guidance: The Bribery Act 2010* (March 2011), p 18: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832011/bribery-act-2010-guidance.pdf [accessed 20 July 2022]

18 *Strategic Approach*, p 16

13. The difficulties faced by foreign companies wishing to do business in India also include a lengthy process for business permits, a complex tax regime, low levels of contract enforcement, limited IP protections, and significant documentation requirements to move products across borders.¹⁹ These are not referenced in the Government’s Strategic Approach to the negotiations.
14. The Government provides some information on the barriers to services, noting that India has higher restrictions on services than the UK, with accounting and legal services being almost closed to foreign providers, and rail freight transport fully closed.²⁰
15. Witnesses told us that “India is a notoriously difficult nation to trade with”²¹ and that trade with India comes with high costs and red tape.²² SMMT emphasised the complex regional variations in the bureaucratic requirements for exporters and cautioned that “addressing and removing these complications will be a highly sensitive topic for discussion and a tough ask from FTA negotiations”.²³
16. Tax is a challenging subject where the UK Government approach needs to be sophisticated, yet the Government’s Strategic Approach does not mention any objectives with regard to tax, despite UK business reporting this as a major business barrier. The implementation of the nationwide Goods and Services Tax in 2017 has helped according to the NFU,²⁴ but others report that despite the introduction of the Goods and Services Tax system, the regime has actually become more complex.²⁵ The NHS Confederation was concerned by a lack of clarity regarding tax liabilities when operating in India.²⁶ Furthermore, foreign companies pay a higher rate of corporation tax, and even if the Indian Government reduces tariffs in an FTA, these could be offset by higher excise (and other) taxes set by individual states.
17. Any UK-India trade agreement needs to address—or at the very least include commitments by India to work towards addressing—these asymmetrical barriers if UK businesses are to benefit from an agreement. It will also need to include non-circumvention clauses and access to independent and robust dispute resolution mechanisms to create an environment that delivers a degree of certainty and protections for UK businesses.

India’s developing economy

18. The developing nature of India’s economy means a great degree of uncertainty over what India’s economy may look like in future, with implications for how the Government assesses the impact of a deal with India and the protections

19 See: United States International Trade Administration, ‘Country Commercial Guides: India - market challenges’ (October 2021): <https://www.trade.gov/country-commercial-guides/india-market-challenges> [accessed 20 July 2022]; and Resolution Foundation, Sophie Hale, *A presage to India: Assessing the UK’s new Indo-Pacific trade focus* (26 January 2022): <https://economy2030.resolutionfoundation.org/wp-content/uploads/2022/01/A-presage-to-India.pdf> [accessed 20 July 2022]

20 *Strategic Approach*, p 46

21 Written evidence from SMMT (IND0031)

22 Written evidence from the Federation of Small Businesses (FSB) (IND0028)

23 Written evidence from SMMT (IND0031)

24 Written evidence from the NFU (IND0025). Before the Goods and Services Tax (GST) was introduced, imports could be subject to several duties, as well as state or local taxes and charges. Most of these have now been subsumed into a single GST.

25 Deloitte, *2021 Asia Pacific Tax Complexity Survey* (3 August 2021): <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/tax/deloitte-cn-tax-dtt-asia-pacific-tax-complexity-survey-2021-210803.pdf> [accessed 20 July 2022]

26 Written evidence from the NHS Confederation (IND0001)

or safeguards any future deal should include. The Strategic Approach makes clear that the modelling used by the Government to assess the macroeconomic impacts of the agreement is a static one. While the agreement could lead to greater-than-predicted benefits, changes to India's economy—for example in response to the Indian government's 'Made in India' initiative²⁷—could mean greater competition for UK firms, particularly those operating in sectors where the UK currently enjoys an advantage. It is unclear how this uncertainty is being factored into the negotiations.

Conclusions and recommendations

19. **The potential economic gains from a comprehensive trade agreement with India are projected to be more significant than the benefits from trade agreements with Australia, New Zealand or Japan.**
20. **We welcome the Indian government's new approach to opening trade links and the positive momentum achieved.**
21. **India's history of relatively thin FTAs, historically protectionist policies and different regulatory approaches, mean that the barriers and challenges to trade with India are considerable and deep-rooted. Overcoming these barriers would require, in many areas, changes to India's domestic legislation, which could be a lengthy process.**
22. **India's record and context raises questions over whether— notwithstanding the Government's ambition—a comprehensive trade agreement is achievable in the short term and to a fixed deadline. An interim deal could lock in early gains, but it could also put off a more comprehensive deal if the UK makes too many early concessions.**
23. **It is difficult to envisage that any deal with India would be as comprehensive as any deal the UK has agreed with other like-minded partners. There are therefore questions over how comprehensive the deal with India should be and its minimum requirements. It is regrettable that the UK Government has not set out the areas it would prioritise for inclusion. We believe it should. The very general, high level, indeed at times overly ambitious, Negotiating Objectives offer no clue as to the Government's negotiating priorities.**
24. **Given the challenges of securing a comprehensive deal with India, it is questionable whether the setting of an ambitious but arbitrary deadline for the conclusion of the negotiations is the right approach. The UK Government must not accept a poor agreement simply to meet a deadline. We welcome the Secretary of State's assurances that the Government will not compromise on the quality and scope of the FTA, and that it will only sign up to an agreement by Diwali if it works for UK businesses.**
25. **Unlike with Australia or New Zealand, there are substantial difficulties—and therefore costs—when doing business in India. These are not adequately captured by the Government's Strategic Approach and Negotiating Objectives, but include a complex bureaucracy (which can change from state to state) and tax regime.**

²⁷ Government of India, 'Make in India': <https://www.makeinindia.com> [accessed 20 July 2022]

The Negotiating Objectives thus come across as unrealistic. We call on the Government to engage with Parliament and wider stakeholders on how it is seeking to address these challenges, and which barriers are being prioritised.

- 26. Facilitation payments are common in India, yet modern international business standards condemn this. The Government must satisfy itself and press India on making progress towards meeting international business standards.**
- 27. We also call on the Government to ensure that any agreement with India includes robust and enforceable provisions on non-circumvention and dispute resolution.**
- 28. While the gains from an FTA with India are projected to be more significant than those from an FTA with Australia, New Zealand or Japan, they are more uncertain. India's economic landscape is rapidly evolving and we call on the Government to set out how it will ensure that the agreement takes account of and can respond to changes in the Indian economy, so that any final agreement continues to work for the UK long term.**

CHAPTER 2: THE AGREEMENT

29. This chapter considers the Government's key Negotiating Objectives as stated in the Strategic Approach document and the opportunities and risks that may arise in an agreement with India.

Goods trade

30. India has a high and frequently amended tariff regime, with the highest average applied tariff of any G20 country and some of the highest bound tariff rates among WTO members.²⁸ The average tariff on UK goods exported to India in 2021 was 18.7%—a 5% increase from 13.4% in 2016.²⁹
31. By contrast, the average tariff on Indian goods imported into the UK is around 4.2%—and are more predictable.³⁰ The majority of Indian exports to the UK are conducted through the UK Generalised Scheme of Preferences (GSP) system,³¹ which provides developing countries with preferential access through lower or zero tariffs on certain goods.³² India is classified as a lower-middle income country and around 66% of the tariff lines are thus eligible.³³ However, this is shrinking because GSP preferential tariffs are withdrawn when goods become internationally competitive. For example, between 2014–17 over 15% of imports from India 'graduated' from the GSP.³⁴ The UK and India therefore start negotiations from very different positions: while 66% of Indian exports to the UK face zero tariffs (as a result of GSP), only 3% of UK exports to India can enter without tariffs.³⁵
32. The Government Objectives are to secure broad liberalisation on tariffs, on a mutually beneficial basis, considering UK product sensitivities; secure comprehensive access for UK industrial and agricultural goods in India; and develop simple rules of origin that reflect UK industry requirements and supply chains.³⁶ It believes that transport equipment, vehicles, chemicals,

28 United States International Trade Administration, *Country Commercial Guides: India - market challenges* (October 2021): <https://www.trade.gov/country-commercial-guides/india-market-challenges> [accessed 20 July 2022]

29 *Strategic Approach*, p 46

30 DIT, *An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India* (May 2021), p 5: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989234/dit-india-uk-consult-info-note.pdf [accessed 20 July 2022]

31 The Generalised Scheme of Preferences (GSP) provides trade preferences, via reduced or zero tariffs, on imports from eligible developing countries into the UK. The UK decided to replicate the EU's GSP at the end of the transition period. The GSP provides three tiers of tariff rates to eligible countries depending on their levels of economic development. These are: the Least Developed Countries Framework for countries classified as LDCs by the UN (zero tariffs on all goods except for arms and ammunition); the General Framework for countries classified by the World Bank as low to lower-middle income (reduced rates of import duty on certain goods); and the Enhanced Framework for countries classified by the World Bank as low to lower-middle income that are economically vulnerable due to low levels of integration with the international trading system (import duties on certain goods).

32 DIT, 'Guidance: Trading with Developed Nations on 1 January 2022': <https://www.gov.uk/government/publications/trading-with-developing-nations> [accessed 20 July 2022]

33 *Ibid.*

34 Institute for Development Studies, 'Voices on Inclusive Trade: The future of UK-India trade and development – part one' (28 April 2021): <https://www.ids.ac.uk/opinions/the-future-of-uk-india-trade-and-development-part-one/> [accessed 20 July 2022]

35 DIT, *An information note for the consultation relating to a Free Trade Agreement between the United Kingdom and India* (25 May 2022), p 16: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989234/dit-india-uk-consult-info-note.pdf [accessed 20 July 2022]

36 *Strategic Approach*, p 11

pharmaceuticals and whisky could see a particular boost in exports.³⁷ However the Government notes that our textile industry and certain agriculture and food sectors could see import competition.³⁸

33. Tariffs are not the only costs on goods, with national and state level taxes also imposed. A good example came in 2021 when India reduced the whisky tariff from 150% to 50% but introduced an equivalent domestic tax.³⁹ Thus, while an FTA with India presents the UK with an opportunity to lower and lock in more predictable tariffs, the value of this needs to be carefully considered.
34. The UK Trade Policy Observatory at the University of Sussex (UKTPO) emphasised that despite India having preferential access through the GSP scheme, the UK could make valuable negotiation offers on goods not covered by the GSP, and further reductions on those which are covered.⁴⁰ For example, textiles, cars and chemicals from India were graduated from 2021 until 2022 and can potentially be extended.⁴¹ The Government should push for substantial and widespread tariff concessions from India, while making generous offers in return.
35. While improving market access would benefit UK exporters, it is important to recognise that the challenging business climate (Chapter 2) may limit its value. The Federation of Small Businesses and the Scotch Whisky Association told us that India’s customs procedures are lengthy and unclear.⁴² Any trade agreement with India should therefore seek to make these simple and transparent.
36. India applies complex Sanitary and Phyto-Sanitary (SPS) rules to imports, which witnesses say act as a trade barrier to UK exporters.⁴³ The Government’s Objectives for the negotiations on SPS rightly focus on “seeking enhanced commitments for dialogue, co-operation and transparency on sanitary and phytosanitary measures, which may present challenges to business”.⁴⁴ The National Farmers Union wants Government to invest heavily in market promotion and development, and be in constant dialogue with the various Indian bodies, inspectors and ports.⁴⁵
37. India’s regulatory environment differs significantly from that of the UK—and that of other new trade agreement partner countries. The British Standards Institution (BSI) argued against recognising Indian goods standards as equivalent or compliant. They told us that only 30% of Indian standards

37 The Scoping Assessment states that a deeper agreement could also see gains in beverages and tobacco products. It is not clear how increases trade in tobacco products would be beneficial of itself, as it runs counter to WHO and UK Government objectives on smoking cessation.

38 *Strategic Approach*, p 40

39 Mint, ‘India pre-empted UK demand on alcohol’ (17 March 2021): <https://www.livemint.com/news/india/india-pre-empted-uk-demand-on-alcohol-11615921992671.html> [accessed 20 July 2022]

40 Written evidence from the UKTPO (IND0036)

41 DIT, ‘UK Generalised Scheme of Preferences (GSP): goods graduation 2021 to 2022’ (17 December 2020): <https://www.gov.uk/government/publications/uk-generalised-scheme-of-preferences-gsp-graduated-goods/uk-generalised-scheme-of-preferences-gsp-goods-graduation-2021-to-2022> [accessed 20 July 2022]

42 Written evidence from the Federation of Small Businesses (IND0028) and the Scotch Whisky Association (IND0017)

43 Written evidence from the NFU (IND0025). India applies 236 SPS measures on UK exports, compared to the 4 that the UK applies to Indian imports.

44 *Strategic Approach*, p 11

45 Written evidence from the NFU (IND0025)

were harmonised with international standards and regulations have been traditionally used by the Indian government to favour domestic producers and self-sufficiency. Given the “very real differences and incompatibilities between India and the UK’s approach to regulation and the use of standards, it is important that any TBT [technical barriers to trade] provisions agreed with India do not impact the UK’s successful model of standards shaped by stakeholders including the very strong influence of consumers.”⁴⁶

38. The Negotiating Objectives state that the Government will “ensure high standards and protections for UK consumers and workers” which includes “not compromising on our high environmental protection, animal welfare and food standards, as well as maintaining our right to regulate in the public interest”.⁴⁷
39. However, Which? raised concerns about the differences in standards and, consequently, risks to consumer protection.⁴⁸ The Objectives state that the Government is pursuing “commitments on the protection of core consumer rights”⁴⁹ as part of the negotiations, although they do not define what is meant by “core” consumer rights, nor an indication of how this may be achieved.
40. India has significantly lower standards regarding animal welfare and environmental protection in agriculture.⁵⁰ The Alliance to Save our Antibiotics raised concerns relating to the overuse of antibiotics on Indian farms, as well as antimicrobial resistance. It is unclear how UK standards will be maintained in the absence of reliable data on antibiotics usage and traceability systems in India,⁵¹ made more challenging by the variation in regulation and quality of governance across India’s states.⁵² The Scottish Government told us:

“It is vital that Scotland retains the right to apply provisional risk management measures, in line with the precautionary principle, to imports from India where possible risks to public health and/or plant life or health are identified but scientific uncertainty persists, in line with article 5 of the WTO SPS Agreement.”⁵³

41. The Government must ensure that in striking a trade deal with India, standards and UK consumer protections are not undermined, while ensuring that TBTs are addressed to make processes simpler for UK businesses.

Conclusions and recommendations

42. **A trade agreement should include the substantial reduction of Indian tariffs and other charges on UK goods.**

46 Written evidence from the British Standards Institution (BSI) ([IND0033](#))

47 *Strategic Approach*, p 10

48 Written evidence from Which? ([IND0013](#))

49 *Strategic Approach*, p 15

50 See written evidence from the NFU ([IND0025](#)), Dairy UK ([IND0030](#)), RSPCA ([IND0004](#)), Four Paws ([IND0021](#)), the Alliance to Save Our Antibiotics ([IND0022](#)) and Friends of the Earth England and Wales ([IND0018](#)).

51 Written evidence from the Alliance to Save Our Antibiotics ([IND0022](#))

52 US International Trade Administration, ‘India: Country Commercial Guide’ <https://www.trade.gov/country-commercial-guides/india-market-challenges> [accessed 20 July 2022]

53 Written evidence from the Scottish Government ([IND0039](#))

43. **There are concerns about the business environment of India. As a result, the standard provisions in customs and trade facilitation, TBT and SPS will not be sufficient for UK businesses. The Government must go further in lowering ‘at and behind the border’ barriers to ensure that UK businesses are not disadvantaged in the Indian market.**
44. **While consumers may benefit from trade deals through cheaper goods and greater choice, the Government should not agree regulatory equivalence that would result in reduced standards or lower consumer protection.**

Services trade and mobility

45. The Negotiating Objectives for services are for ambitious commitments from India on market access and fair competition for UK exporters; ambitious rules for all services sectors as well as sector-specific rules; certainty for UK exporters, and transparency on Indian services regulation. All of these will be important, as the Scoping Assessment notes that India has a relatively high level of regulatory restrictions affecting trade in services, digitally enabled services, and foreign direct investment (FDI). Existing market access commitments on professional services under the WTO’s General Agreement on Trade in Services (GATS) are very limited and India has significant restrictions on foreign nationals providing professional services.⁵⁴
46. Greater market access and lower barriers for services could open the way to significant opportunities for our sectors. The strong growth of the middle class suggests greater demand for services, from insurance to healthcare and education. However, it is unclear how big the gains could be for UK firms, and we note that the Scoping Assessment focuses more on goods. This is surprising, given the importance of services to the UK economy. Sophie Hale of the Resolution Foundation emphasised the importance of services trade with India and stated that it is “underplayed” in the Government’s analysis.⁵⁵
47. Services organisations have made specific requests. The Professional and Business Services Council Trade Technical Group want a trade agreement with India to facilitate the recognition of professional and academic qualifications or the ability to practice under home title.⁵⁶ The Law Society of Scotland stated that foreign lawyers cannot practice law in India or be enrolled there and are only permitted to provide legal advice on foreign law on a ‘casual’ visit which is allowed on a case-by-case basis.⁵⁷ TheCityUK and the City of London Corporation want an agreement with India to establish financial regulatory dialogues and encourage UK and Indian regulators to consider aligned approaches to new financial services, such as fintech, cybersecurity and artificial intelligence.⁵⁸

54 General Agreement on Trade in Services, India Schedule of Specific Commitments, GATS/SC/42 (15 April 1994): <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/SCHD/GATS-SC/SC42.pdf&Open=True> [accessed 20 July 2022]; written evidence from the Professional and Business Services Council Trade Technical Group (IND0015), the Law Society of Scotland (IND0010) and Association of British Insurers (IND0027).

55 Q 7 (Sophie Hale)

56 Written evidence from the Professional and Business Services Council Trade Technical Group (IND0015)

57 Written evidence from the Law Society of Scotland (IND0010)

58 Written evidence (joint submission) from TheCityUK and the City of London Corporation (IND0035)

48. Given that India is also a major services exporter, there are questions as to how UK and India services exports could be complementary. As for goods, it is not sufficient for any FTA with India to simply deliver theoretical advantages in services schedules. These must be backed up with real improvements to the business environment for UK companies.
49. Mobility is often seen as the main obstacle, as India usually seeks a generous offer for its workers, particularly for employees of services firms and self-employed service suppliers. The Government aims to “increase opportunities for UK business people to operate in India by enhancing opportunities for business travel”, but also “continue to preserve the integrity of the UK’s domestic immigration system”.⁵⁹ It is unclear as to how these aims are compatible.
50. Witnesses argued for relaxed mobility rules in both countries to facilitate visa-free business travel for short periods as well as more consistent and simplified routes for highly skilled workers.⁶⁰ In terms of the UK offer, the Professional and Business Services Council Trade Technical Group stated that the UK should establish a new mobility route that combines the controls of sponsorship with the flexibility of visitor routes. Witnesses from the fintech industry argued for preferential visa allocation to attract Indian talent to regional fintech clusters in the UK.⁶¹ The NHS Confederation stated that a trade agreement should facilitate the granting of visitor visas to undertake clinical services or health-related research.⁶²
51. Going the other way, the Law Society of Scotland called for changes to the Indian visa system to open up the Indian market for legal services and stated that an FTA should build on mobility commitments made by India under the ASEAN-India FTA.⁶³
52. There have been press reports that India is seeking a social security agreement as part of the negotiations, which would exempt certain Indian workers in the UK from making National Insurance contributions.⁶⁴ This is not covered in the Government’s Strategic Approach, and the Secretary of State for International Trade did not wish to comment on this issue when she appeared before the Committee, citing the sensitivities of the negotiations.⁶⁵

Conclusions and recommendations

53. **There are opportunities for the UK to secure greater market access in services—in particular as India does not have any commitments at WTO level with regards to legal, accounting and audit services. However, India’s lack of WTO services commitments and domestic regulatory framework also point towards the challenges of securing**

59 *Strategic Approach*, p 12

60 Written evidence from the NHS Confederation (IND0001), the Professional and Business Services Council Trade Technical Group (IND0015), UKTPO (IND0036) and Dr Kwok Tong Soo, Senior Lecturer in Economics at Lancaster University (IND0009)

61 Written evidence from Professor Thankom Arun & Dr. Philip Kostov (IND0023)

62 Written evidence from the NHS Confederation (IND0001)

63 Written evidence from the Law Society of Scotland (IND0010)

64 Politico, ‘Indian demand on UK welfare payments could slow trade talks’ (18 January 2022): <https://www.politico.eu/article/india-seeks-to-stop-millions-in-national-insurance-payments-in-trade-talks-with-uk/> [accessed 20 July 2022]

65 Oral evidence taken before the International Agreements Committee on 13 July 2022 (Session 2022–23), Q 11 (Rt Hon Anne-Marie Trevelyan MP)

a deep agreement on services. The Government should prioritise improvements that provide a solid environment for UK business.

54. **There are other improvements that could be delivered on mutual recognition of qualifications, and financial services regulatory dialogues. We call on the Government to provide a more detailed view of the services benefits from this FTA, including a consideration of the complementarities between the UK and Indian services sectors.**
55. **Mobility is important to services economies, and it is therefore right that both the UK and India have substantive demands in this area. However, the Government’s approach to mobility schemes and the temporary movement of business people between the UK and India in an FTA remains unclear, including on the limits of access, and should be clarified.**
56. **The Negotiating Objectives do not set out the Government’s position on alleged Indian demands to exempt certain Indian workers from making National Insurance contributions in the UK. If the Government intends to agree to those demands, it must conduct an impact assessment. We call on the Government to spell out the likely costs, to what extent Indian workers would have access to UK benefits, and the implications for other non-British nationals working in the UK.**

Investment

57. The Negotiating Objectives state the Government will aim to create new opportunities for UK investors in India, while addressing existing barriers and maintaining the UK’s right to regulate. Objectives include providing protections to UK investors and guaranteeing that they receive fair and non-discriminatory treatment, ensuring access to adequate remedies.⁶⁶ However, they provide no real basis for understanding how this will be achieved given the known context of investment difficulties in India.
58. The Association of British Insurers said that while “India increased the foreign direct investment (FDI) cap for insurers from 49% to 74% in 2021 ... the rules also set out several restrictions on the management and control criteria for Indian insurance companies”.⁶⁷ Respondents to DIT’s consultation on highlighted market access barriers which should be addressed in an FTA, including FDI caps in certain sectors and restrictions that overly limit UK businesses’ ability to exercise control over their investments.⁶⁸ There have been high profile tax disputes involving Cairn Energy and Vodafone, where, after lengthy legal battles, the Indian government has been found to have violated the *fair and equitable treatment* standard by imposing taxes retrospectively. Despite this, India has persistently challenged the arbitration awards and is reportedly seeking to settle the disputes by offering to refund taxes already paid, but only in return for undertakings that the companies will stop all litigation.⁶⁹

66 *Strategic Approach*, pp 13–14

67 Written evidence from the Association of British Insurers ([IND0027](#))

68 *Strategic Approach*, p 29

69 ‘Singapore court has stayed India tax dispute proceedings under Dutch BIT: Vodafone’, *The Economic Times* (16 November 2021): <https://economictimes.indiatimes.com/industry/telecom/telecom-news/singapore-court-has-stayed-india-tax-dispute-proceedings-under-dutch-bit-vodafone/articleshow/87741472.cms> [accessed 20 July 2022]

59. The UK and India each have substantial investments in the other. Investments were protected through a bilateral investment treaty in 1994, but this was terminated by the Indian government in 2016.⁷⁰ Investments made before this date continue to be protected for 15 years after termination.
60. India withdrew from many of its Bilateral Investment Treaties (BIT) in 2017 and has adopted a Model Bilateral Investment Treaty which considerably restricts the ability of foreign investors to challenge decisions using Investor State Dispute Settlement (ISDS) mechanisms.⁷¹ The Negotiating Objectives make no mention of this. Since this is an obvious starting point for discussions, and a fixed point around which stakeholders could comment, this should have been included. They are silent on whether the Government will be seeking the inclusion of ISDS in the agreement.
61. India is one of the highest respondent states in ISDS. Some argue that ISDS cases against India have been brought because the Indian Government has acted in bad faith, using its power to amend laws without due process or to row back on assurances.⁷² We are aware many UK stakeholders, particularly NGOs, however, believe the UK should not seek the inclusion of ISDS provisions, as these can have a chilling effect on public interest regulation. Given the absence of successful challenges to the UK Government under ISDS, but the substantial issues facing UK investors in India, there is good reason for including ISDS in this agreement.

Conclusions and recommendations

62. **The Government should seek provisions that ease restrictions on foreign direct investments in India and strengthen protections for investors.**
63. **There is a strong case for including investor-state dispute settlement (ISDS) provisions in an agreement with India, yet the Government does not mention ISDS in its Negotiating Objectives.**
64. **We call on the Government to clarify its overall policy towards ISDS, on other mechanisms for investment protection, and whether it is seeking ISDS in its FTA with India (as we believe it should). Whichever mechanism is put in place, it must be independent and enforceable.**

Digital trade and data

65. The Negotiating Objectives state that the Government will “pursue a comprehensive digital chapter” to include “commitments on free and trusted cross-border data flows, prevent unjustified data localisation, and maintain the UK’s high standards for personal data protection”.⁷³ Witnesses noted India’s protectionist approach towards data and digital regulations.⁷⁴ While those from the services sectors told us an agreement with India should

70 Written Answer [UIN 12320](#), Session 2021-22

71 Brookings India, *India’s Model Bilateral Investment Treaty* (August 2018): <https://www.brookings.edu/wp-content/uploads/2018/08/India%E2%80%99s-Model-Bilateral-Investment-Treaty-2018.pdf> [accessed 20 July 2022]

72 Prabhash Ranjan, ‘Investor-State dispute settlement (ISDS) cases and India: affronting regulatory autonomy or indicting capricious state behaviour?’, *Journal of International Trade Law and Policy*, vol 21(1), pp 42–64: <https://doi.org/10.1108/JITLP-10-2021-0053> [accessed 20 July 2022]

73 *Strategic Approach*, p 13

74 Written evidence from the Association of British Insurers ([IND0027](#)), TechUK ([IND0029](#)), Federation of Small Businesses ([IND0028](#)) and Which? ([IND0013](#))

include provisions allowing cross-border data flows, Which? raised concerns regarding the protection of UK citizens' data.⁷⁵ This will be key to successful outcomes for the implementation of the deal.

66. Data protections will be difficult given India does not have a comprehensive data privacy law. Since the Indian Supreme Court ruled in 2017 that citizens had a fundamental right to privacy, the Indian government has been considering its response. A draft Personal Data Protection Bill was proposed in 2018 to regulate the collection, storage, transfer and use of personal data. However, there have been several re-writes and the bill has yet to become law.⁷⁶ It is unclear whether the Indian government would be able to accept data protection clauses in an FTA in the absence of such a bill, and whether the UK Government would settle for non-inclusion in the hope of later discussions.

Conclusions and recommendations

67. **UK businesses make a strong case for the inclusion in FTAs of provisions which ban the localisation of data and support cross-border data flows, while consumer groups rightly seek to ensure that UK citizens' personal data will be protected. However, provisions preventing unjustified data localisation and allowing the free flow of data in India would require changes to India's domestic legislation, and would require a complicated and lengthy process. We call on the Government to explain how it is aiming to deliver UK business and consumer interests in this context.**

Intellectual property (IP)

68. The Negotiating Objectives on IP are typical in that they state that the aim is to ensure rights holders receive protection and fair remuneration for the use of their works abroad, whilst ensuring reasonable and fair access for consumers; secure patent and copyright provisions that support UK creative industries; secure protection for brands and design intensive goods; promote the enforcement of IP rights; remain consistent with the UK's existing international obligations including the European Patent Convention, Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)⁷⁷; seek protection of UK Geographical Indications (GIs)⁷⁸ in India and protect the UK's existing IP regime.⁷⁹
69. Achieving all these aims would mean a significant departure from India's current approach. The Chartered Institute of Patent Attorneys emphasised that IP protection in India is "difficult to obtain" and "even harder to enforce"

75 Written evidence from Which? ([IND0013](#))

76 'Fresh legislation may replace Data Protection Bill', *The Economic Times* (17 Feb 2022): <https://economictimes.indiatimes.com/tech/technology/fresh-legislation-may-replace-data-protection-bill/articleshow/89624369.cms> [accessed 20 July 2022]

77 WTO, 'Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (as amended on 23 January 2017)': https://www.wto.org/english/docs_e/legal_e/31bis_trips_01_e.htm [accessed 20 July 2022]

78 A Geographical Indication (GI) is an intellectual property right for a food, drink or agricultural product that has a quality or characteristic which is attributable to a specific geographic origin. It therefore establishes a link between a product, its quality and place of production. Examples include Scotch whisky and Stilton blue cheese. If a product has GI status, similar products produced elsewhere or to different standards cannot be marketed with reference to the place of origin. So, for example, only cheese produced in Derbyshire, Leicestershire and Nottinghamshire to specified standards can be referred to as Stilton blue cheese in the UK and the EU.

79 *Strategic Approach*, p 14

and that it is “arguably not even compliant with the minimum standards set by the WTO’s agreement on Trade-Related Aspects of Intellectual property Rights (TRIPS)”.⁸⁰ The NHS Confederation told us that improper use of the highly prized NHS ‘brand’ has been a problem in collaborative ventures between the NHS organisations and their Indian counterparts.⁸¹

70. The Alliance for Intellectual Property called for the Government to seek stronger IP protections in India with regards to statutory licensing, copyright term, technical protection measures, no-fault injunctive relief, collecting societies, artist resale right, camcording in cinemas, and effective enforcement of IP rights.⁸² The status and protections afforded by Geographical Indications are important to some agricultural producers and we note that the EU has started talks with India on the subject, suggesting that securing GI status may be possible.
71. While the Negotiating Objectives list high level aims of securing effective protections for rights holders, it is far from clear how the Government is seeking to address the inadequacies in India’s domestic IP system.
72. The Business and Human Rights Resource Centre and the Trade Justice Movement stated that India’s existing IP regime has allowed its pharmaceutical and healthcare sector to provide affordable generic medicines to the global market and noted the risks of the UK seeking IP provisions that go beyond the WTO TRIPS agreement.⁸³ The NHS Confederation also stressed that India supplies a high proportion of the UK’s generic medicines.⁸⁴ The Negotiating Objectives state that government would “secure patent provisions which achieve an effective balance between rewarding research and innovation, whilst reflecting wider public interests such as ensuring access to medicines”.⁸⁵ While welcoming this approach, we note the Government has not provided any information on how this could be achieved, and we invite the Government to do so.

Conclusions and recommendations

73. **India’s intellectual property (IP) regime provides significantly fewer protections than the UK’s IP regime. A trade agreement should commit India to strengthening its IP protections, but we note that there are limits to what can be achieved in the short term.**
74. **We welcome that the Government is seeking a balance between securing patent provisions while reflecting wider public interests, including the production of affordable medicines by India. We invite the Government to explain how this balance can be achieved.**
75. **In line with other FTAs, we welcome the Government’s ambition to ensure protection for UK Geographical Indications (GIs).**

Environment and climate

76. The Government’s Objectives include measures to maintain the integrity and protection of the UK’s climate and environment legislation; ensure Parties

80 Written evidence from the Chartered Institute of Patent Attorneys ([IND0012](#))

81 Written evidence from the NHS Confederation ([IND0001](#))

82 Written evidence from the Alliance for Intellectual Property ([IND0037](#))

83 Written evidence from the Trade Justice Movement ([IND0019](#))

84 Written evidence from the NHS Confederation ([IND0001](#))

85 *Strategic Approach*, p 14

reaffirm international commitments including the Paris Agreement; ensure Parties do not waive domestic climate and environment protections to create a competitive advantage; and provisions that support the Government's ambition on environment, climate and achieving Net Zero emissions by 2050.⁸⁶

77. Energy consumption in India has more than doubled since 2000, and its growing population, industrialisation and urbanisation will only increase demand in the coming years.⁸⁷ In 2020, over 70% of India's electricity generation was fuelled by coal and it was the world's third-largest coal producer.⁸⁸ There is a large gap between the UK and India's approach to coal, which was noticeable during the discussions held at the COP26 conference in Glasgow in November 2021.⁸⁹ Although the Indian Government has set a target of net zero greenhouse gas emissions by 2070, it has resisted setting emissions reduction targets, arguing that developed countries should bear a larger burden of emissions reductions.
78. There is an opportunity to leverage the trade relationship to increase co-operation and support on climate and the environment. We note, for example, the UK (alongside the US and the EU) have signed an International Just Energy Transition Partnership⁹⁰ with South Africa to support its decarbonisation efforts, and suggest the Government consider offering similar support to India.
79. The Government's Scoping Assessment estimates that an FTA with India would increase greenhouse gas emissions (GHG) by 0.08–0.14%.⁹¹ These figures do not include potential increases in transport emissions or emissions related to UK consumption.⁹² Separately, the Government estimates that transport emissions between the two countries will increase by 18–36%, but it is unclear why this is not factored into the overall GHG emissions.⁹³ It notes that the possible impact on carbon leakage, in which goods produced in the UK are displaced by goods imported from India which have a higher carbon footprint, is uncertain, but that there are some risks in textiles and apparel trade. Deforestation is a major problem in India, though the Government notes that the impact of a trade agreement on deforestation rates is difficult to estimate.⁹⁴ It is surprising to see no mention of India's continuing role as a major coal producer, user and exporter.

86 *Strategic Approach*, p 15

87 International Energy Agency, *India Energy Outlook 2021* (February 2021): https://iea.blob.core.windows.net/assets/1de6d91e-e23f-4e02-b1fb-51fdd6283b22/India_Energy_Outlook_2021.pdf [accessed 20 July 2022]

88 BP, *Statistical Review of World Energy: 2021 India's energy market in 2020*: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-india-insights.pdf> [accessed 20 July 2022]

89 'India and China weaken pledge to phase out coal as COP26 ends', *Financial Times* (13 November 2021): <https://www.ft.com/content/471c7db9-925f-479e-ad57-09162310a21a> [accessed 20 July 2022]

90 Prime Minister's Office, 'Joint Statement: International Just Energy Transition Partnership' (2 November 2021): <https://www.gov.uk/government/news/joint-statement-international-just-energy-transition-partnership> [accessed 20 July 2022]

91 *Strategic Approach*, p 74

92 *Ibid.*, p 79

93 *Ibid.*, p 74

94 *Ibid.*, p 80

80. Witnesses expressed concern regarding the potential increases in GHG emissions under the agreement.⁹⁵ Friends of the Earth stated that the Government must make clear how it will address these increases to meet the UK's commitments under the Paris Agreement.⁹⁶ They pointed out that that the Government does not suggest any mitigation measures in relation to this or the significant likely increase in textiles imports from India which may cause greater water pollution and biodiversity loss in India.⁹⁷
81. It is unclear how India's environmental regulations compare to those of the UK, and therefore whether the Government's aim to "ensure that parties do not waive or fail to enforce their domestic environment and climate protections in ways that create an artificial competitive advantage"⁹⁸ is of particular value. As we have noted, the Negotiating Objectives are not sufficiently detailed to allow us to reach conclusions as to whether they are appropriate.

Conclusions and recommendations

82. **The Negotiating Objectives on climate and the environment are overly generic and appear to lack ambition. We welcome the commitment to reaffirm both countries' commitments under the Paris Agreement. But greenhouse gas emissions are likely to rise as a result of the FTA and the Government should set out how it plans to mitigate them.**
83. **We call on the Government to provide an estimate of the potential carbon leakage that may result from an FTA with India.**
84. **The Government should include transport emissions and carbon leakage in its estimate of the change in overall greenhouse gas emissions associated with a UK-India FTA (and any other FTAs).**
85. **The trade relationship offers an opportunity to collaborate with India on the environment and climate. The environment and climate chapter should include a commitment to collaborate on carbon emissions trading schemes in the future. It would be helpful to understand how the Government's priorities on international trade link into its broader environmental and climate objectives. As we noted in our report on the UK-Australia FTA, a lack of tie-up of trade policy with the UK's climate objectives is again apparent.**
86. **The Government should consider how it can support India's decarbonisation efforts.**
87. **The Government should negotiate traceability provisions to guard against the import of goods linked to deforestation.**

Labour, human and women's rights, and development

88. The Government Objectives reaffirm the UK's international commitments; provide assurances that both Parties will not waive their domestic labour protections so as to create a competitive advantage; and provide appropriate

95 Written evidence from Friends of the Earth England, Wales and Northern Ireland ([IND0018](#)), and the Fairtrade Foundation ([IND0034](#))

96 Written evidence from Friends of the Earth England, Wales and Northern Ireland ([IND0018](#))

97 *Strategic Approach*, p 87

98 *Ibid.*, p 15

mechanisms for the implementation, monitoring and dispute resolution of labour provisions.⁹⁹

89. India clearly has weaker labour laws than the UK. Witnesses noted cases of wage theft in the textile sector, as well as labour abuses in tea supply chains, including forced labour, failure to pay the minimum wage, gender discrimination and suppression of freedom of association.¹⁰⁰ It has also not ratified two of the eight fundamental conventions in the 1998 International Labour Organisation (ILO) Declaration of Fundamental Principles and Rights at Work—on the freedom to join a union and to bargain collectively.¹⁰¹
90. Although the Negotiating Objectives aim to recognise the importance of upholding protections on gender equality, promote women’s access to the full benefits and opportunities of the agreement and co-operate on barriers which exist disproportionately for women in trade,¹⁰² witnesses cited widespread discrimination against women in India.¹⁰³

Conclusions and recommendations

91. **The generic Negotiating Objectives on labour do not go into sufficient detail. It is unclear whether the Government is seeking to encourage better labour conditions in India, despite the Objectives’ focus on the UK’s international commitments. Because of the lower levels of labour protections in India, it is unclear whether a non-regression objective is meaningful.**
92. **The Government should either seek to strengthen labour protections informally, through co-operation mechanisms established in the trade deal, or formally, by requiring minimum levels of protection. It should discuss options with stakeholders, including development organisations and trade unions.**

Other chapters of interest

93. The Negotiating Objectives include procurement opportunities for UK businesses, as well as fair and transparent procurement processes.¹⁰⁴ There are many barriers for UK businesses in accessing public procurement in India. Responses to the Government consultation indicated the difficulty in navigating the federal and state level government procurement rules, as well as the general lack of transparency and high upfront costs to securing a contract.¹⁰⁵ The NHS Confederation told us that current procurement practices in India tend to favour domestic bidders, and that it would like to see NHS members be able to provide services without being required to establish a physical presence in India.¹⁰⁶
94. The Government’s Objectives on trade remedies are to support market access while protecting against unfair trading practices.¹⁰⁷ The National Farmers Union (NFU) noted that India has unilaterally created rules and

99 *Strategic Approach*, pp 16–17

100 Written evidence from the Business & Human Rights Resource Centre ([IND0032](#))

101 *Strategic Approach*, p 72

102 *Strategic Approach*, p 17

103 Written evidence from the Trade Justice Movement ([IND0019](#))

104 *Strategic Approach*, p 15

105 *Strategic Approach*, p 27

106 Written evidence from the NHS Confederation ([IND0001](#))

107 *Strategic Approach*, p 17

regulations that do not comply with the World Trade Organization (WTO) rules, leading to various trade disputes.¹⁰⁸ It is important that this chapter is therefore suitably robust.

95. The Objectives suggest that the Government is seeking a dedicated small and medium-sized enterprises (SME) chapter to facilitate co-operation between the UK and India on SME issues and provide online information resources to help SMEs navigate export requirements.¹⁰⁹ While the Government is seeking commitments on the protection of core consumer rights and in relation to specific areas such as digital trade, they do not propose a dedicated consumer chapter. Unsurprisingly, the Federation of Small Businesses (FSB) welcomed an SME chapter¹¹⁰, while consumer rights group Which? wants a dedicated consumer chapter that provides clear expectations on consumer rights and protection legislation, and recognises the importance of cross-border consumer protections, regulatory co-operation and access to redress.¹¹¹ It is not clear why the Government has chosen to push for dedicated chapters in some cases, but not in others.
96. While the Government's Objectives include facilitating innovation and collaboration on shared global and economic challenges, they do not refer to an innovation chapter.¹¹² Witnesses across a range of sectors and interests raised the importance of UK-India innovation and argued that a trade agreement should strengthen co-operation in research and innovation between the countries.¹¹³ They want a dialogue mechanism should be established which allows stakeholders and standards bodies to participate in discussions regarding the impacts of innovation on trade including regulatory approaches, commercialisation of new technology and supply chain resilience.¹¹⁴
97. The Government aims to deliver an agreement that supports its objectives on trade and development, and promote co-operation between the UK and India. It aims to include provisions that address monitoring the impact of the FTA on developing countries outside the agreement, which we welcome. The Scoping Assessment estimates that there could be trade diversion which would impact developing countries in the region, particularly in textiles.¹¹⁵

Conclusions and recommendations

98. **There are significant barriers to UK businesses accessing procurement opportunities in India, which the FTA will need to address. The Objective to secure "provisions to ensure that procurement processes are fair, open, transparent and accessible" comes across as both vague and unrealistic in its ambition given the Indian context.**
99. **We call on the Government to include a dedicated consumer chapter, as well as a chapter on innovation that focuses on strengthening co-operation.**

108 Written evidence from the NFU ([IND0025](#))

109 *Strategic Approach*, p 16

110 Written evidence from the Federation of Small Businesses ([IND0028](#))

111 Written evidence from Which? ([IND0013](#))

112 *Strategic Approach*, p 15

113 Written evidence from techUK ([IND0029](#)), TheCityUK and the City of London Corporation, Trade and Justice Movement ([IND0019](#)), the British Standards Institution (BSI) ([IND0033](#)), and the NHS Confederation ([IND0001](#))

114 Written evidence from BSI and the NHS Confederation ([IND0001](#))

115 *Strategic Approach*, p 71

100. **The Government should consider the trade diversion impacts on India's neighbouring developing countries and any possible mitigating measures that it could take.**

CHAPTER 3: GOVERNMENT ENGAGEMENT AND CONSULTATION

101. The Negotiating Objectives state that the Government is “committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny” and that after negotiations are launched, it will “continue to work closely with all our stakeholders, including the DAs, to ensure that negotiations with India further the UK’s key interests and brings benefits for the whole of the UK.”¹¹⁶

Negotiating Objectives: too vague and need to be framed within a published trade policy

102. We found the Negotiating Objectives to be very high level and often very vague (as well as overly ambitious at times).
103. For example, the Government says it is seeking “simple rules of origin that reflect UK industry requirements”,¹¹⁷ but does not provide any indication of what these would be. Its approach to mobility schemes and the temporary movement of business people between the UK and India is also unclear. On consumer rights, the Government says it is pursuing “commitments on the protection of core consumer rights”,¹¹⁸ but does not define what it means by “core” rights, nor provide an indication of how this may be achieved. Similarly, the Objectives refer to protections and non-discriminatory treatment for UK investors,¹¹⁹ but do not provide any information on how to meet these aims given the investment difficulties in India. These examples illustrate that the Objectives do not provide sufficiently detailed information, nor acknowledge the challenging context in which they have been set.
104. The Government has yet to publish a comprehensive and overarching trade policy. Although it has articulated its aims and objectives for individual negotiations, these are not embedded within a wider framework, setting out the Government’s priorities for all trade negotiations and how trade complements and supports the Government’s external and domestic policy objectives.
105. In particular, the absence of a published trade policy raises the question as to the impact India’s stance on Russia’s invasion of Ukraine, its refusal to support international sanctions, and indeed increased trade with Russia, may have and should have on the UK-India trade relationship.

Conclusions and recommendations

106. **The published Negotiating Objectives are very general, at times overly ambitious and even unrealistic. We call on the Government to provide more detailed and concrete Objectives for future negotiations.**
107. **We reiterate our recommendation that the Government should publish a trade policy, showing how it links into broader foreign policy, security, defence and other domestic objectives, as well as labour, women’s and human rights, and the environment. This will**

116 *Strategic Approach*, p 35

117 *Ibid.*, p 11

118 *Ibid.*, p 15

119 *Ibid.*, pp 13–14

enable trade policy to be understood in relation to other priorities and enable us to assess the impacts and trade-offs.

Round updates

108. While the Committee has received updates after each of the four negotiating rounds to date, these have been lacking in detail. We have previously raised the issue of the paucity of information in the written updates,¹²⁰ but there has been a noticeable deterioration in the information for these particular negotiations. The third round update, for example, merely noted that talks had taken place in a hybrid fashion, referring to the Joint Outcome Statement issued by the UK and Indian chief negotiators and public Prime Ministerial announcements.¹²¹ The fourth update similarly noted that technical talks had taken place in a hybrid fashion, that the aim was to conclude talks by the end of October, and cross-referred to the Joint Outcome Statement (which did not include information of substance).¹²² Comments recently provided by the Indian Minister of Commerce to the *Financial Times*, noting that 11 out of 26 chapters had been agreed between the Parties, are more revealing than what the UK Government has told us.¹²³
109. Other Parliaments receive more detailed information from their executives on the progress of trade negotiations, including those with similar constitutional arrangements, such as New Zealand. Appendix 5 includes a sample update on the India negotiations issued by our Government, which compares unfavourably against a round update provided by the New Zealand Government on FTA negotiations with the UK.
110. We note that, as part of the updates, the then Minister for Investment Lord Grimstone of Boscobel had offered to meet the Committee in private to discuss the negotiations. Timing constraints meant that we were unable to schedule a session with him.

Recommendation

111. **While we do not expect the Government to share sensitive negotiating information in a public letter, round updates should at least give an indication of what has been discussed, where progress has been made, and provide a flavour of the obstacles encountered and choices faced by negotiators. The Committee should not have to rely on press reports for this information.**

Consultation with the devolved administrations

112. Where matters under negotiation related to devolved competence, as with previous agreements, the devolved administrations were broadly positive about the UK Government's engagement. They expressed concerns, however, regarding the sharing of information pertaining to areas of reserved

120 See, for example, International Agreements Committee, *Scrutiny of international agreements: UK-Australia free trade agreement* (4th Report, Session 2022–23, HL Paper 26), para 156

121 Letter from Lord Grimstone to International Agreements Committee Chair, 'Third round of the UK-India Free Trade Agreement', 12 May 2022: <https://committees.parliament.uk/publications/22467/documents/165584/default/>

122 Letter from Lord Grimstone to International Agreements Committee Chair, 'India FTA Negotiations R4', 28 June 2022: <https://committees.parliament.uk/publications/23105/documents/169213/default/>

123 'India and UK to seal trade deal in 'next few months', minister says', *Financial Times* (7 July 2022): <https://www.ft.com/content/ba1c2233-8e1d-4c35-bbe3-0a703fcbdc1d> [accessed 20 July 2022]

competence—particularly where they could have a significant impact on devolved areas and their competences. The Scottish Government told us:

“The broad and increasing scope of modern trade agreements means that they deal with and merge a range of reserved and devolved policy areas and touch on many areas of life. The decisions the UK Government makes on tariffs and tariff rate quotas could have significant impacts on our economy, yet devolved administrations do not see the full UK negotiating mandates or have any role in the decision-making process.”¹²⁴

113. On tariffs, the Welsh Government specifically suggests that the Government “put in place tools, such as staging or safeguards” to protect sensitive Welsh products,¹²⁵ while the Scottish Government highlights the projected declines in output for the agriculture, processed food and textile and apparel sectors as a result of competition from India, and raises concerns “about the impact of any agreement on these sectors and the communities they support”.¹²⁶

114. The Welsh Government raised concerns about pressure to conclude negotiations quickly, noting that the pace of the negotiations has had a detrimental impact on the quality of engagement with the UK Government:

“The pace of delivery for concluding the negotiations has also impacted on the engagement between ourselves and UK government. Although we still remain predominately positive about the engagement we have had to date, the timeframes we have been given to comment during the negotiations has been reduced, and on occasion, we have not been given a meaningful opportunity to discuss elements of the negotiations. It should be noted that this differs to other FTA negotiations where engagement is largely positive and information has been shared in a more timely manner.”¹²⁷

115. The Scottish Government also raised concerns about the speed of the negotiations and cautioned that these should not be rushed.¹²⁸

116. The Government’s position is that while they “recognise the importance that the DAs attach to this”, market access negotiations are highly sensitive and that sharing information on tariff liberalisation, particularly in the early stages, could “jeopardise the overall negotiations”.¹²⁹ Lord Grimstone acknowledged, “I suspect it may never be possible to satisfy them for as long as trade negotiations are a reserved matter”.¹³⁰

117. We recognise the UK Government’s challenge in balancing the need for confidentiality with keeping the devolved administrations involved, but it is clear that more needs to be done to keep the devolved administrations apprised of progress of those sensitive aspects of trade negotiations (if necessary, in confidence) which will have a direct impact on their devolved responsibilities.

124 Written evidence from the Scottish Government ([IND0039](#))

125 Written evidence from the Welsh Government ([IND0038](#))

126 Written evidence from the Scottish Government ([IND0039](#))

127 Written evidence from the Welsh Government ([IND0038](#))

128 Written evidence from the Scottish Government ([IND0039](#))

129 Oral evidence taken before the International Agreements Committee on 27 April 2022 (Session 2021-22), [Q 27](#) (Lord Grimstone of Boscobel)

130 *Ibid.*

118. We had previously raised with the Department for International Trade the need for both scoping and impact assessments to include more granular detail, particularly on the impacts of an FTA on the devolved nations.¹³¹ At his last evidence session with the Committee, Lord Grimstone told us:

“We do think that we have to do more work in the public impact assessments to give a more detailed picture of the potential impacts of trade agreements on the devolved nations. We did a review of our modelling techniques, and our analysts are now considering how they can improve the analysis of impacts of FTAs on the nations and regions of the UK.”¹³²

119. We look forward to receiving improved scoping and impact assessments for future FTAs.

120. **We thank the devolved administrations for the evidence they submitted. In the absence of detailed information provided by the UK Government on the discussions it has had with the devolved administrations, it is vital that we hear from them directly. We reiterate our open invitation to the devolved administrations and legislatures to raise with us any issues they consider to be significant.**

121. **While we accept that the negotiation of trade agreements is a reserved competence, trade agreements will have a significant impact not just on devolved policy areas, but also on devolved economies more generally (even in reserved areas) and interests.**

122. **We remain concerned about the adequacy of the information shared with the devolved administrations regarding matters that are reserved, such as tariff liberalisation for sensitive goods.**

123. **We call on the Government to ensure that consultation with the devolved administrations is comprehensive, transparent, detailed and timely, and that their views are represented throughout the negotiations, including on reserved matters that may have an impact on them. The quality of engagement with the devolved administrations must not be compromised by the pace of the negotiations.**

124. **We welcome that the Government has conducted a modelling review to provide a more detailed sub-national assessment of the impact of FTAs. We look forward to receiving assessments with more detailed information on the impact of FTAs on the nations and regions of the UK.**

131 See, for example, International Agreements Committee, *UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Scrutiny of the Government’s Negotiating Objectives* (10th Report, Session 2021–22, HL Paper 94)

132 Oral evidence taken before the International Agreements Committee on 27 April 2022 (Session 2021–22), [Q 27](#) (Lord Grimstone of Boscobel)

CHAPTER 4: THIS REPORT AND INQUIRY

125. We opened our inquiry into the UK-India trade negotiations on 28 January 2022, with a view to publishing a report and holding a parliamentary debate on the Government's Negotiating Objectives (included at Appendix 4).
126. We held one oral evidence session and have been particularly reliant on written evidence for this report. In total, we received 33 written submissions. We are grateful to all those who contributed to our inquiry (see Appendix 2).
127. **We make this report to the House for debate.**

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Strategic considerations

1. The potential economic gains from a comprehensive trade agreement with India are projected to be more significant than the benefits from trade agreements with Australia, New Zealand or Japan. (Paragraph 19)
2. We welcome the Indian government's new approach to opening trade links and the positive momentum achieved. (Paragraph 20)
3. India's history of relatively thin FTAs, historically protectionist policies and different regulatory approaches, mean that the barriers and challenges to trade with India are considerable and deep-rooted. Overcoming these barriers would require, in many areas, changes to India's domestic legislation, which could be a lengthy process. (Paragraph 21)
4. India's record and context raises questions over whether—notwithstanding the Government's ambition—a comprehensive trade agreement is achievable in the short term and to a fixed deadline. An interim deal could lock in early gains, but it could also put off a more comprehensive deal if the UK makes too many early concessions. (Paragraph 22)
5. It is difficult to envisage that any deal with India would be as comprehensive as any deal the UK has agreed with other like-minded partners. There are therefore questions over how comprehensive the deal with India should be and its minimum requirements. It is regrettable that the UK Government has not set out the areas it would prioritise for inclusion. We believe it should. The very general, high level, indeed at times overly ambitious, Negotiating Objectives offer no clue as to the Government's negotiating priorities. (Paragraph 23)
6. Given the challenges of securing a comprehensive deal with India, it is questionable whether the setting of an ambitious but arbitrary deadline for the conclusion of the negotiations is the right approach. The UK Government must not accept a poor agreement simply to meet a deadline. We welcome the Secretary of State's assurances that the Government will not compromise on the quality and scope of the FTA, and that it will only sign up to an agreement by Diwali if it works for UK businesses. (Paragraph 24)
7. Unlike with Australia or New Zealand, there are substantial difficulties—and therefore costs—when doing business in India. These are not adequately captured by the Government's Strategic Approach and Negotiating Objectives, but include a complex bureaucracy (which can change from state to state) and tax regime. The Negotiating Objectives thus come across as unrealistic. We call on the Government to engage with Parliament and wider stakeholders on how it is seeking to address these challenges, and which barriers are being prioritised. (Paragraph 25)
8. Facilitation payments are common in India, yet modern international business standards condemn this. The Government must satisfy itself and press India on making progress towards meeting international business standards. (Paragraph 26)
9. We also call on the Government to ensure that any agreement with India includes robust and enforceable provisions on non-circumvention and dispute resolution. (Paragraph 27)

10. While the gains from an FTA with India are projected to be more significant than those from an FTA with Australia, New Zealand or Japan, they are more uncertain. India's economic landscape is rapidly evolving and we call on the Government to set out how it will ensure that the agreement takes account of and can respond to changes in the Indian economy, so that any final agreement continues to work for the UK long term. (Paragraph 28)

The agreement

11. A trade agreement should include the substantial reduction of Indian tariffs and other charges on UK goods. (Paragraph 42)
12. There are concerns about the business environment of India. As a result, the standard provisions in customs and trade facilitation, TBT and SPS will not be sufficient for UK businesses. The Government must go further in lowering 'at and behind the border' barriers to ensure that UK businesses are not disadvantaged in the Indian market. (Paragraph 43)
13. While consumers may benefit from trade deals through cheaper goods and greater choice, the Government should not agree regulatory equivalence that would result in reduced standards or lower consumer protection. (Paragraph 44)
14. There are opportunities for the UK to secure greater market access in services—in particular as India does not have any commitments at WTO level with regards to legal, accounting and audit services. However, India's lack of WTO services commitments and domestic regulatory framework also point towards the challenges of securing a deep agreement on services. The Government should prioritise improvements that provide a solid environment for UK business. (Paragraph 53)
15. There are other improvements that could be delivered on mutual recognition of qualifications, and financial services regulatory dialogues. We call on the Government to provide a more detailed view of the services benefits from this FTA, including a consideration of the complementarities between the UK and Indian services sectors. (Paragraph 54)
16. Mobility is important to services economies, and it is therefore right that both the UK and India have substantive demands in this area. However, the Government's approach to mobility schemes and the temporary movement of business people between the UK and India in an FTA remains unclear, including on the limits of access, and should be clarified. (Paragraph 55)
17. The Negotiating Objectives do not set out the Government's position on alleged Indian demands to exempt certain Indian workers from making National Insurance contributions in the UK. If the Government intends to agree to those demands, it must conduct an impact assessment. We call on the Government to spell out the likely costs, to what extent Indian workers would have access to UK benefits, and the implications for other non-British nationals working in the UK. (Paragraph 56)
18. The Government should seek provisions that ease restrictions on foreign direct investments in India and strengthen protections for investors. (Paragraph 62)

19. There is a strong case for including investor-state dispute settlement (ISDS) provisions in an agreement with India, yet the Government does not mention ISDS in its Negotiating Objectives. (Paragraph 63)
20. We call on the Government to clarify its overall policy towards ISDS, on other mechanisms for investment protection, and whether it is seeking ISDS in its FTA with India (as we believe it should). Whichever mechanism is put in place, it must be independent and enforceable. (Paragraph 64)
21. UK businesses make a strong case for the inclusion in FTAs of provisions which ban the localisation of data and support cross-border data flows, while consumer groups rightly seek to ensure that UK citizens' personal data will be protected. However, provisions preventing unjustified data localisation and allowing the free flow of data in India would require changes to India's domestic legislation, and would require a complicated and lengthy process. We call on the Government to explain how it is aiming to deliver UK business and consumer interests in this context. (Paragraph 67)
22. India's intellectual property (IP) regime provides significantly fewer protections than the UK's IP regime. A trade agreement should commit India to strengthening its IP protections, but we note that there are limits to what can be achieved in the short term. (Paragraph 73)
23. We welcome that the Government is seeking a balance between securing patent provisions while reflecting wider public interests, including the production of affordable medicines by India. We invite the Government to explain how this balance can be achieved. (Paragraph 74)
24. In line with other FTAs, we welcome the Government's ambition to ensure protection for UK Geographical Indications (GIs). (Paragraph 75)
25. The Negotiating Objectives on climate and the environment are overly generic and appear to lack ambition. We welcome the commitment to reaffirm both countries' commitments under the Paris Agreement. But greenhouse gas emissions are likely to rise as a result of the FTA and the Government should set out how it plans to mitigate them. (Paragraph 82)
26. We call on the Government to provide an estimate of the potential carbon leakage that may result from an FTA with India. (Paragraph 83)
27. The Government should include transport emissions and carbon leakage in its estimate of the change in overall greenhouse gas emissions associated with a UK-India FTA (and any other FTAs). (Paragraph 84)
28. The trade relationship offers an opportunity to collaborate with India on the environment and climate. The environment and climate chapter should include a commitment to collaborate on carbon emissions trading schemes in the future. It would be helpful to understand how the Government's priorities on international trade link into its broader environmental and climate objectives. As we noted in our report on the UK-Australia FTA, a lack of tie-up of trade policy with the UK's climate objectives is again apparent. (Paragraph 85)
29. The Government should consider how it can support India's decarbonisation efforts. (Paragraph 86)

30. The Government should negotiate traceability provisions to guard against the import of goods linked to deforestation. (Paragraph 87)
31. The generic Negotiating Objectives on labour do not go into sufficient detail. It is unclear whether the Government is seeking to encourage better labour conditions in India, despite the Objectives' focus on the UK's international commitments. Because of the lower levels of labour protections in India, it is unclear whether a non-regression objective is meaningful. (Paragraph 91)
32. The Government should either seek to strengthen labour protections informally, through co-operation mechanisms established in the trade deal, or formally, by requiring minimum levels of protection. It should discuss options with stakeholders, including development organisations and trade unions. (Paragraph 92)
33. There are significant barriers to UK businesses accessing procurement opportunities in India, which the FTA will need to address. The Objective to secure "provisions to ensure that procurement processes are fair, open, transparent and accessible" comes across as both vague and unrealistic in its ambition given the Indian context. (Paragraph 98)
34. We call on the Government to include a dedicated consumer chapter, as well as a chapter on innovation that focuses on strengthening co-operation. (Paragraph 99)
35. The Government should consider the trade diversion impacts on India's neighbouring developing countries and any possible mitigating measures that it could take. (Paragraph 100)

Government engagement and consultation

36. The published Negotiating Objectives are very general, at times overly ambitious and even unrealistic. We call on the Government to provide more detailed and concrete Objectives for future negotiations. (Paragraph 106)
37. We reiterate our recommendation that the Government should publish a trade policy, showing how it links into broader foreign policy, security, defence and other domestic objectives, as well as labour, women's and human rights, and the environment. This will enable trade policy to be understood in relation to other priorities and enable us to assess the impacts and trade-offs. (Paragraph 107)
38. While we do not expect the Government to share sensitive negotiating information in a public letter, round updates should at least give an indication of what has been discussed, where progress has been made, and provide a flavour of the obstacles encountered and choices faced by negotiators. The Committee should not have to rely on press reports for this information. (Paragraph 111)
39. We thank the devolved administrations for the evidence they submitted. In the absence of detailed information provided by the UK Government on the discussions it has had with the devolved administrations, it is vital that we hear from them directly. We reiterate our open invitation to the devolved administrations and legislatures to raise with us any issues they consider to be significant. (Paragraph 120)

40. While we accept that the negotiation of trade agreements is a reserved competence, trade agreements will have a significant impact not just on devolved policy areas, but also on devolved economies more generally (even in reserved areas) and interests. (Paragraph 121)
41. We remain concerned about the adequacy of the information shared with the devolved administrations regarding matters that are reserved, such as tariff liberalisation for sensitive goods. (Paragraph 122)
42. We call on the Government to ensure that consultation with the devolved administrations is comprehensive, transparent, detailed and timely, and that their views are represented throughout the negotiations, including on reserved matters that may have an impact on them. The quality of engagement with the devolved administrations must not be compromised by the pace of the negotiations. (Paragraph 123)
43. We welcome that the Government has conducted a modelling review to provide a more detailed sub-national assessment of the impact of FTAs. We look forward to receiving assessments with more detailed information on the impact of FTAs on the nations and regions of the UK. (Paragraph 124)

APPENDIX 1: LIST OF MEMBERS, DECLARATIONS OF INTEREST AND COMMITTEE STAFF

- Lord Astor of Hever
No relevant interests
- Lord Gold
David Gold & Associates LLP
Chairman Balance Legal Capital
- Baroness Hayter of Kentish Town
Senior Non-Executive Director, Association of British Insurers
- Lord Kerr of Kinlochard
Chairman, Centre for European Reform
- Lord Lansley
A family member has a sheep farm in North Wales
- Baroness Liddell of Coatdyke
Honorary Vice President, Britain Australia Society
Trustee, Northcote Trust
Association Member, Bupa
Board member, Australian Chamber Orchestra
- Lord Morris of Aberavon
Family members farm in various parts of Wales and England, but I have no direct interest in farming
- Lord Oates
Director, H&O Communications
- Lord Razzall
Director, North Atlantic Mining Associates Limited
Director, ZeU Technologies Inc
Shareholdings, ZeU Technologies Inc
Shareholdings, St-Georges Eco-Mining Corporation
Shareholdings, Tintra plc
- The Earl of Sandwich
No relevant interests
- Lord Udny-Lister
Advisor to the Group Chairman of HSBC
- Lord Watts
No relevant interests

The Committee staff are Jennifer Martin-Kohlmorgen (Clerk), Andrea Ninomiya (Policy Analyst), and Robert Cocks (Committee Operations Officer).

Specialist Advisers

- David Henig
Adviser to the UK Trade and Business Commission
Part-time Adviser to Cavendish Advocacy on trade matters UK Director of the European Centre for International Political Economy (ECIPE)
Self-employed consultant on general trade policy matters
- Alex Horne
Counsel, Hackett & Dabbs LLP
Visiting Professor at Durham University
Special Adviser, United Nations Development Programme (Pacific Region)
Special Adviser, House of Commons' Women and Equalities Committee.

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/work/6497/ukindia-trade-negotiations/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only

Oral evidence in chronological order

- | | | |
|----|--|-------------------------|
| * | Sophie Hale, Principal Economist, Resolution Foundation | QQ 1-10 |
| ** | Professor Sangeeta Khorana, Professor of Economics, Bournemouth University Business School | QQ 1-10 |
| * | Amrita Saha, Research Fellow, Institute of Development Studies | QQ 1-10 |

Alphabetical list of all witnesses

- | | | |
|----|--|-------------------------|
| | Alliance for Intellectual Property | IND0037 |
| | Alliance to Save Our Antibiotics | IND0022 |
| | Thankom Arun | IND0023 |
| | Association of British Insurers (ABI) | IND0027 |
| | British Standards Institution (BSI) | IND0033 |
| | Business & Human Rights Resource Centre | IND0032 |
| | Chartered Institute of Patent Attorneys | IND0012 |
| | Dairy UK | IND0030 |
| | Department for International Trade | IND0040 |
| | Fairtrade Foundation | IND0034 |
| | Federation of Small Businesses (FSB) | IND0028 |
| | FOUR PAWS UK | IND0021 |
| | Friends of the Earth England, Wales and Northern Ireland | IND0018 |
| * | Sophie Hale, Principal Economist, Resolution Foundation (QQ 1-10) | |
| | Dr Alexandra R. Harrington, Lancaster University Law School | IND0020 |
| | Srushti Hode | IND0024 |
| ** | Professor Sangeeta Khorana, Professor of Economics, Bournemouth University Business School (QQ 1-10) | IND0026 |
| | Philip Kostov | IND0023 |

NFU (National Farmers Union, England & Wales)	<u>IND0025</u>
NHS Confederation	<u>IND0001</u>
Pact (Producers' Alliance for Cinema and Television)	<u>IND0008</u>
Professional and Business Services Council Trade Technical Group	<u>IND0015</u>
RSPCA	<u>IND0004</u>
* Amrita Saha, Research Fellow, Institute of Development Studies (<u>QQ 1-10</u>)	
Scotch Whisky Association	<u>IND0017</u>
Scottish Government	<u>IND0039</u>
Society of Motor Manufacturers and Traders (SMMT)	<u>IND0031</u>
Dr Kwok Tong Soo, Lancaster University	<u>IND0009</u>
techUK	<u>IND0029</u>
The Law Society of Scotland	<u>IND0010</u>
TheCityUK	<u>IND0035</u>
Trade Justice Movement	<u>IND0019</u>
UKTPO - University of Sussex	<u>IND0036</u>
Welsh Government	<u>IND0038</u>
Which?	<u>IND0013</u>

APPENDIX 3: CALL FOR EVIDENCE

The House of Lords International Agreements Committee (IAC), chaired by Baroness Hayter, has launched an inquiry into the UK-India trade negotiations.

This is a public call for written evidence to be submitted to the Committee.

In due course, we plan to produce a report on the UK Government's Negotiating Objectives. While we may hold a small number of oral evidence sessions, please be aware that we will be particularly reliant on written evidence for this report.

The Committee's scrutiny of these negotiations is considering a wide range of issues, and we expect this call for evidence to remain open until the agreement is signed, but we would be grateful for submissions on one, some or all of the points set out below by 23:59 on Sunday, 27 February, in the first instance.

Background

The Government launched the first round of trade negotiations with India on 17 January 2022. Future rounds of negotiations are expected to take place approximately every five weeks. India was the UK's 15th largest trading partner in 2020. Total trade between the two countries was worth approximately £23.3bn in 2019 before falling to £18.3bn in 2020 due in large part to the COVID-19 pandemic.

The International Agreements Committee is responsible for scrutinising how the Government conducts international agreements, including trade treaties, and the final content of those agreements.

Inquiry focus

The Committee is interested in submissions on any and all aspects of a new UK-India trade agreement, but we are particularly keen to how it will affect consumers and businesses; and the likely economic, social, environmental and other impacts of the agreement.

We seek evidence on the following areas of interest, which are phrased as questions for the ease of respondents. Submissions need not address all questions.

Areas of interest

We welcome broad responses to general questions, as well as specific responses in relation to one or more of the key areas set out below.

1. What are the potential benefits for the UK of an FTA with India, and what are the potential downsides?
2. In what ways may the UK or specific sectors (e.g. education and research) benefit from relaxed visa rules for Indian citizens? Might India's demands for relaxed visa rules go beyond what would benefit the UK economy? If so, how could such risks be mitigated?
3. How might an FTA with India impact the UK's devolved nations and English regions, and how could their interests be best protected?
4. How do you evaluate the Government's Negotiating Objectives (Outline Approach) and initial economic scoping assessment included in the Government's strategic approach? Are the UK Government's aims

sufficiently ambitious? If you represent a sector, we would be interested to hear about any objectives your sector would like to see achieved.

5. What should UK negotiators be aiming for on tariffs, rules of origin, services, digital trade, intellectual property, mutual recognition and mobility?
6. How should consumer interests be promoted and protected?
7. What specific protections should be sought on the environment and climate? What is your assessment of how goods and services traded under an agreement with India could affect both countries' carbon (and other greenhouse gas) emissions?
8. What protections should be sought on human, labour, women's and minority rights?
9. What are the UK's key defensive interests, i.e. sensitive areas where the UK should not make concessions during the negotiations?
10. What risks could a trade agreement with India pose to the UK's food safety standards, animal and plant health or animal welfare standards? How could any such risks be mitigated?
11. How may an FTA with India affect UK trade with other developing countries; if there is a risk of trade diversion, how could this be mitigated?
12. The UK-India joint statement on the launch of the negotiations states that "both Governments will consider the option of an Interim Agreement that generates early benefits for both countries". How desirable would it be for the UK to agree to such an interim or 'early harvest' deal?
13. How would you rate the Government's mechanisms for engaging with stakeholders and seeking input into the negotiations? What is your assessment of how well Government departments are coordinating with each other to help deliver the best outcomes in the negotiations?

APPENDIX 4: EXTRACT FROM THE UK GOVERNMENT STRATEGY FOR THE UK-INDIA FTA

Public Negotiating Objectives for a Free Trade Agreement with India

On 13 January 2022 the UK Government published its Negotiating Objectives for a free trade agreement with India. The Negotiating Objectives are included in a larger document entitled UK-India free trade agreement: the UK's strategic approach. The document has four chapters:

- Chapter 1: Strategic Case
- Chapter 2: Outline Approach
- Chapter 3: Response to the Consultation on Trade Negotiations with India
- Chapter 4: Scoping Assessment

Chapter 2: Outline Approach contains the Negotiating Objectives. Relevant extracts of that chapter are enclosed below.

Overall Objectives

- Agree an FTA with India that strengthens our economic relationship with one of our largest, fastest growing and strategically important bilateral trading partners.
- Promote and increase trade in goods, services and greater cross-border investment with India. This will create new opportunities, support jobs and livelihoods and drive economic growth in both countries. Recognising the UK and India have different approaches to FTA coverage, we will work together constructively to identify areas of mutual interest across a range of areas.
- Increase UK GDP by opening up opportunities for UK businesses, including small and medium-sized enterprises (SMEs) and investors, and facilitating greater choice and lower prices for UK producers and consumers.
- Ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food standards, as well as maintaining our right to regulate in the public interest.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Secure appropriate provisions to promote open and fair competition between our businesses.
- Send a powerful signal to the rest of the world that the UK is an independent trading nation, will continue to champion free and fair trade, fight protectionism, and remove barriers to trade at every opportunity.
- Uphold the government's manifesto commitment that the National Health Service (NHS), its services, and the cost of medicines are not on the table. To this end we will not accept any provisions that would increase the cost of medicines for the NHS. Protecting the NHS is a fundamental principle of our trade policy, and our commitment to this will not change during our negotiations with India.

Trade in Goods

- Secure broad liberalisation on tariffs on a mutually beneficial basis, considering UK product sensitivities.
- Secure comprehensive access for UK industrial and agricultural goods into the Indian market through the reduction or elimination of tariffs.
- Develop simple rules of origin that reflect UK industry requirements and consider existing, as well as future, supply chains supported by predictable and low-cost administrative arrangements.

Customs and Trade Facilitation

- Secure commitments to simple, efficient, and transparent customs procedures which minimise costs and administrative burdens for businesses.
- Ensure that processes are predictable at, and where possible away from, the border.

Technical Barriers to Trade

- Reduce technical barriers to trade by removing and preventing trade-restrictive measures in goods markets, while upholding the safety and quality of products on the UK market.
- Provide for mechanisms to make it easier for UK manufacturers to have their products tested against Indian rules.
- Promote the use of international standards to further facilitate trade between the parties.
- Promote making regulations easily accessible to businesses from each other's markets.

Sanitary and Phyto-Sanitary Standards (SPS)

- Uphold the UK's high levels of food safety, animal and plant health, and animal welfare and the UK's right to regulate in these areas in the public interest.
- Enhance access for UK agri-food goods to the Indian market by seeking enhanced commitments for dialogue, co-operation and transparency on sanitary and phytosanitary measures, which may present challenges to business, with a view to helping UK firms trade more easily.
- Seek enhanced co-operation on the related important matters of public interest of animal welfare and antimicrobial resistance.

Goods Regulatory Practice (GRP) and Regulatory Co-operation

- Reduce regulatory obstacles, facilitate market access, and improve trade flows by encouraging a transparent, predictable, and stable regulatory framework to give confidence to exporting businesses and investors.
- Seek commitments to the application of good regulatory practice, such as: internal coordination; transparency in the regulatory process, including making relevant information of the agreement freely and publicly available online; meaningful public consultation in the development of regulatory measures; the use of proportionate impact assessments for proposed major regulatory measures; and the periodic evaluation of regulatory measures in force.

Transparency

- Support market openness and increase the ease of doing business by ensuring appropriate levels of transparency between the UK and India, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.

Trade in Services

- Seek ambitious commitments from India on market access and fair competition for UK services exporters.
- Agree ambitious rules for all services sectors, as well as sector-specific rules to support our world-leading services industry, including key UK export sectors, such as financial services, professional and business services, and transport services.
- Increase opportunities for UK business people to operate in India by enhancing opportunities for business travel.
- Continue to preserve the integrity of the UK's domestic immigration system.
- Ensure certainty for UK services exporters in their continuing access to the Indian market and transparency on Indian services regulation.

Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.
- Continue to ensure that decisions on how to run public services are made by UK Governments, including the devolved administrations (DAs), and not our trade partners.

Telecommunications

- Seek ambitious and robust telecommunications provisions with India that will secure fair access to Indian networks and services and a level playing field, so that UK operators can seize the opportunities in India's rapidly growing telecommunications sector.
- This will also benefit UK consumers and businesses in all sectors by supporting competition and promoting a sector that is ripe for further innovation.

Financial Services

- Expand opportunities for UK financial services and ease frictions to cross-border trade and investment.

Digital Trade

- Pursue a comprehensive digital chapter that maximises opportunities for digital trade across all sectors of the economy, and businesses of all sizes, across the UK.
- Seek predictable and open regulatory principles so that firms can access overseas digital markets and operate across borders freely and in fair competition.

- Seek commitments on free and trusted cross-border data flows, prevent unjustified data localisation, and maintain the UK's high standards for personal data protection.
- Promote online consumer protection and seek necessary business safeguards in digital trade.
- Seek commitments to facilitate more efficient and secure international trade through use of digital technologies, including through paperless trading.
- Co-operate on evolving areas of trade such as innovation and emerging technologies.

Investment

- Agree provisions that create new opportunities for UK investors in India, whilst addressing existing barriers that investors currently face.
- Provide sufficient protections to UK investors and guarantee that they receive fair and non-discriminatory treatment, ensuring access to adequate remedies in the event that these obligations are breached.
- Maintain the UK's right to regulate in the national interest and, as the government has made clear, continue to protect the NHS.

Intellectual Property (IP)

- Ensure rights holders receive protection and fair remuneration for the use of their works abroad, whilst ensuring reasonable and fair access for consumers.
- Secure patent provisions which achieve an effective balance between rewarding research and innovation, whilst reflecting wider public interests such as ensuring access to medicines.
- Secure copyright provisions that support UK creative industries through an effective and balanced global framework.
- Secure effective protection for brands and design intensive goods, whilst keeping the market open to fair competition.
- Promote the accessible, transparent, effective, and efficient enforcement of IP rights including for online IP infringement and facilitate cross-border collaboration on IP matters.
- Remain consistent with the UK's existing international obligations, including the European Patent Convention, to which the UK is party.
- Reaffirm the UK's continued commitment to the Doha Declaration on the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health, and agreed flexibilities that support access to medicines, particularly during public health emergencies in developing countries.
- Promote provisions which take account of emerging opportunities and challenges in the digital age.
- Seek effective protection of UK geographical indications in India while maintaining those protections offered to geographical indications in the UK through the UK's existing schemes.
- Protect the UK's existing IP regime which is recognised as one of the best in the world and resist changes which would undermine these standards.

Trade and Competition

- Provide for effective competition law and its enforcement that promotes open and fair competition for UK firms at home and in India.
- Provide for transparent and non-discriminatory competition laws, with
- procedural rights for businesses and people under investigation.
- Seek commitments on the protection of core consumer rights.
- Promote effective co-operation between enforcement agencies.
- Seek commitments on subsidies and state-owned enterprises to address discrimination and unfair practices.

Innovation

- Seek collaboration on shared global and economic challenges, including those identified in the 2030 Roadmap for India-UK future relations, for example development of low-carbon technologies and emerging technologies.
- Seek provisions focusing on the role of trade policy in facilitating innovation and ensuring our FTA is flexible to emerging business models, global trends and events.

Government Procurement

- Seek access for UK businesses to valuable Indian government procurement opportunities, in areas where UK companies have competitive advantage.
- Seek to agree provisions to ensure that procurement processes are fair, open, transparent and accessible for suppliers from India and the UK.
- Ensure appropriate protections remain in place for key public services such as NHS health and care services, as well as broadcasting.

Environment and Clean Growth

- Include measures which allow the UK to protect our regulatory sovereignty, maintain the integrity, and provide meaningful protection, of the UK's environment and climate legislation.
- Ensure parties reaffirm international environmental and climate protections, including Multilateral Environmental Agreements such as the United Nations Framework Convention on Climate Change and the Paris Agreement.
- Ensure that parties do not waive or fail to enforce their domestic environment and climate protections in ways that create an artificial competitive advantage.
- Seek provisions that support and help further the government's ambition on environment, climate change and achieving Net Zero greenhouse gas emissions by 2050, including promoting trade in low carbon goods and services and supporting research and development collaboration in pursuit of clean growth.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of environment provisions.

Anti-Corruption

- Provide for measures that address the trade distorting effects of corruption on global trade and fair competition to help maintain the UK's high standards in this area.

- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

Trade and Development

- Seek to deliver an agreement that supports the government's objectives on trade and development and promote co-operation between the UK and India on trade and development activities.
- Seek to include provisions that address monitoring the impact of the FTA on developing countries outside the agreement.

Trade Remedies

- Ensure provisions support market access, uphold our WTO commitments, and are underpinned by transparency, efficiency, impartiality, and proportionality.
- Agree provisions which facilitate trade liberalisation while protecting against unfair trading practices.

Dispute Settlement

- Establish appropriate mechanisms that promote compliance with the agreement and ensure that state-to-state disputes are dealt with consistently, fairly and cost-effectively, promoting transparency and maintaining timeliness, whilst seeking predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprises (SMEs)

- Seek a dedicated SME chapter to facilitate co-operation between the UK and India on SME issues of mutual interest.
- Seek commitments to provide online information resources to help small businesses navigate requirements for exporting to each other's markets.
- Seek to include, and signpost to, provisions in other Chapters of the agreement that enhance co-operation between the UK and India on SME issues, or otherwise enable SMEs to make greater use of the opportunities under the FTA.

Labour

- Reaffirm commitments to international labour standards.
- Provide for assurance that parties will not waive or fail to enforce their domestic labour protections in ways that create an artificial competitive advantage.
- Include measures which allow the UK to protect our regulatory sovereignty, maintain the integrity, and provide meaningful protection, of the UK's labour protections.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of labour provisions.

Trade and Gender Equality

- Promote women's access to the full benefits and opportunities of this agreement, as workers, business owners, entrepreneurs and consumers.
- Seek co-operation to address the barriers which exist disproportionately for women in trade.

- Recognise the importance of upholding protections on gender equality.

General Provisions

- Ensure flexibility for the government to protect legitimate domestic priorities by securing adequate general exceptions to the agreement.
- Provide for regular review of the agreement and its operation in the context of the economic relationship between the UK and India. Allow for the agreement to be amended when necessary.

Territorial Application

- Provide for application of the treaty to all four constituent nations of the UK, taking into account the effects of the Ireland/Northern Ireland Protocol.
- Provide for further coverage of the agreement for the Crown Dependencies, and Gibraltar and the other Overseas Territories, as appropriate.

APPENDIX 5: SUMMARIES OF NEGOTIATING ROUNDS

The following provides examples of summaries that the UK and New Zealand Governments published shortly after a trade negotiation round had ended. New Zealand was selected on the basis that it is also a Westminster-style parliamentary system and the New Zealand Parliament has similar powers and limitations in its scrutiny of trade agreements.

UK Government

The UK Government's update on the third round of the UK-India trade negotiations:¹³³

“On 6 May 2022, the Republic of India and the United Kingdom concluded the third round of talks for an India-UK Free Trade Agreement (FTA).

Negotiation officials undertook these technical talks in a hybrid fashion – with some of the teams meeting in New Delhi and the majority joining virtually.

For this round of negotiations, draft treaty text was advanced across the majority of chapters. Technical experts from both sides came together for discussions in 60 separate sessions covering 23 policy areas.

The fourth round of negotiations is due to be hosted by the UK in June 2022.”

New Zealand government

The New Zealand government's summary of round three of the UK-New Zealand trade negotiations:¹³⁴

Report on Round Three of negotiations, held virtually from 26 January-9 February 2021

Free trade agreement negotiations between the UK and New Zealand continued with the third round commencing virtually on 26 January. In opening the round, Chief Negotiators noted the political-level contact that had taken place since Round Two and welcomed the insights and perspectives shared by Te Taru White's 22 January presentation to negotiating teams on Te Tiriti o Waitangi (Treaty of Waitangi), the Crown-Māori partnership, the breadth of Māori interests in trade, and Māori expectations for the FTA. The shared commitment to engage constructively and pragmatically, to make progress toward the early conclusion of a high quality, comprehensive and inclusive free trade agreement was also noted.

Negotiators met virtually across 25 issue-specific working groups, with 42 working sessions taking place over the two-week period. In the lead up to Round Three, further texts and non-papers were shared (over 35 in total) alongside the exchange of initial goods market access offers.

133 DIT, 'Joint outcome statement: India-UK round three FTA negotiation' (11 May 2022): [:https://www.gov.uk/government/news/joint-outcome-statement-india-uk-round-three-fta-negotiations](https://www.gov.uk/government/news/joint-outcome-statement-india-uk-round-three-fta-negotiations) [accessed 20 July 2022]

134 New Zealand Foreign Affairs and Trade, *New Zealand-United Kingdom Free Trade Agreement Negotiations*: <https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/NZ-UK-FTA-summary-report-R3.pdf> [accessed 20 July 2022]

Discussions continue to be positive and constructive as negotiations intensified during the Round. Good progress has been made and most working groups are now working from a single negotiating text that has combined UK and New Zealand proposals. Areas of difference are also clearer. The first chapter was substantively agreed (on Small and Medium Sized Enterprises, though work continues on small business outcomes across the agreement) and most elements of the Competition and Trade Remedies chapters should be finalised in the coming weeks.

Both sides also presented and discussed initial goods market access offers, which were shared in January, and agreed to target the exchange of revised offers before Round Four, alongside initial government procurement schedules. The process for exchanging services and investment offers will be discussed further at Round Four.

A summary of the working group discussions follows.

During the round, New Zealand and UK stakeholders were invited to join both Chief Negotiators in a joint webinar run in conjunction with the UK's Department of International Trade on 10 February. Chief Negotiators provided an overview of progress made during Round Three, and discussed a range of issues raised by stakeholders, covering government procurement, environment, consumer rights and protections, mutual recognition of qualifications, financial services, strategic priorities for digital trade, as well as the approach being taken to intellectual property provisions within the agreement.

What happens next?

The fourth round of negotiations is scheduled to be held virtually from 13–27 April 2021.

Before the next round:

- Further meetings between negotiators will take place in February and March on a wide range of topics (Trade Remedies, Cross Border Trade in Services, Domestic Regulation, Investment, Digital Trade, Competition, Trade and Labour, and Transparency).
- Both sides will aim to table all remaining text proposals in advance of Round Four. This undertaking is subject to both Parties' right to revise their text in the future, as informed by ongoing stakeholder consultation.
- Initial government procurement offers and revised goods market access offers will be exchanged. Throughout this process, we will continue to hold stakeholder consultations and public meetings. Feedback from these discussions will help inform New Zealand's approach to the negotiations. To deepen our understanding of Māori interests in this negotiation, we will maintain our engagement with Māori leaders, participate in upcoming regional Hui, commission a second independent research project, and reach out through regional networks.

Where can I find out more?

New Zealand's high-level objectives for the UK FTA are available [here](#). Further information, including the Round One and Two reports can be found in English and Te Reo [here](#). For notifications and invitations to public meetings and webinars on the NZ-UK FTA, Trade for All and our other trade agreements under negotiation, where you'll be able to ask questions and share your views with

us, please sign up at either FTAOutreach@mfat.govt.nz (for all our free trade agreement updates) or UKFTA@mfat.govt.nz (for UK FTA specific events).

Key working group progress in brief

The Trade in Goods working group welcomed the exchange of initial goods market access offers. During the round, the Parties introduced their respective initial goods offers and discussed their respective positions and expectations. The nature of these initial offers indicate there is some work to do to reach an agreement that achieves our shared ambition of a high quality, comprehensive outcome that removes tariffs. New Zealand noted its expectation that key gaps in relation to the UK's offer on agricultural products should be addressed in a revised offer.

The Parties also discussed their chapter text proposals and made good progress consolidating text, with little text still remaining. New Zealand reinforced that it remains focussed on securing a comprehensive and commercially meaningful market access outcome.

The Rules of Origin working group continued the productive discussions on chapter text from Round Two. Gaps in positions and language continued to be closed, and a forward plan that includes an extensive list of action points should lead to significant progress in Round Four. The Parties also began discussions on product specific origin rules, which focused on the approach each Party had taken in developing its schedules and the principles that underpinned them.

The Customs Procedures and Trade Facilitation working group developed a consolidated text intersessionally that formed the basis of discussion for Round Three. Good progress was made across the chapter, with provisions on customs brokers and customs valuation agreed, and substantial progress made on a number of other articles. Constructive discussions were held on policy differences in respective proposals, with suggestions made on how to move forward. Action points were agreed by the working group that focus future discussions on areas where differences remain.

Substantial progress was made over two sessions in the Sanitary and Phytosanitary working group with text agreed in a number of areas. There were shared interests on issues like co-operation on antimicrobial resistance. The relationship of the UK-NZ Sanitary Agreement to the free trade agreement was also discussed. Reflection from these discussions should allow for further text to be agreed in Round Four. The UK also noted its interest in animal welfare dialogue and co-operation with New Zealand.

The working group on Technical Barriers to Trade (TBT) focused on several key provisions in the chapter text including conformity assessments, international standards provisions, transparency, market surveillance, and marking and labelling. The UK presented on four sectors where it intends to propose product annexes: spirits, cosmetics, medicines and medical devices. The working group agreed to meet before Round Four to further progress the discussions on the above issues and work towards a single consolidated text.

The Trade Remedies working group discussed text tabled by both Parties on potential WTO-plus provisions, including provision of information in remedy proceedings and the Public Interest Test and Lesser Duty Rule. Discussions showed that both Parties were closely aligned in their ambitions to agree a robust, best practice chapter that reaffirms WTO rights and obligations, reflected principles of transparency and openness, facilitated trade liberalisation, and supported

industry by providing access to trade remedies. The high level of alignment in these objectives led to good progress in agreeing text.

The Services cluster of working groups remains a large work area, with proposals now on the table for chapters on cross-border services, temporary entry of business persons, investment, financial services, telecommunications and additional texts on domestic regulation, professional business services, and (tabled by the UK before Round Three) new proposals for sectoral annexes on international maritime transport and express delivery services. In some of these areas, New Zealand and UK interests are strongly aligned and there is scope to make quick progress. During this round, good progress was made on the temporary entry chapter text, while intersessional meetings will be held on cross-border services and domestic regulation. In other areas, New Zealand will consider proposals in the context of what progress is being made in sectors of export interest to New Zealand.

The Parties held useful discussions on the Investment chapter including important definitional aspects of the text. Intersessional meetings will be held between negotiators ahead of the next round.

The text of the Small and Medium-sized Enterprises (SMEs) chapter was substantively concluded at Round Three. The chapter provides for:

- information being made available that will help SMEs looking to trade in the UK or New Zealand
- co-operation between the Parties to promote the agreement to SMEs, and to increase trade and investment opportunities for SMEs
- referencing the SME-friendly provisions that are included in other areas of the agreement.

While the chapter has been substantially agreed, work continues in other areas of the negotiation on proposals that reflect small business interests.

The UK presented its text on Good Regulatory Practice and Regulatory Co-operation and explained the intention behind proposed provisions. A productive discussion between the Parties reinforced the high degree of alignment on good regulatory practice principles and outcomes, as well as on the importance of regulatory co-operation. Both sides have agreed to consolidate the New Zealand and UK texts as a basis for further discussion at the next round.

Agreement was reached on several articles and paragraphs in the Competition chapter, and technical solutions to outstanding issues are in sight. Both Parties are committed to concluding the chapter negotiations as soon as possible, and to ensuring the final agreement is comprehensive, ambitious and reflects a 'high watermark' amongst competition chapters internationally.

A productive and constructive discussion was had in the Consumer Protection working group, which further highlighted the recognition from both sides on the importance and benefits of effective consumer protection provisions as part of a comprehensive free trade agreement. New Zealand and the UK both presented text proposals on consumer protection, with New Zealand proposing a dedicated chapter within the agreement. Proposals discussed included articles on objectives, protections available to consumers against misleading and deceptive conduct, unsolicited commercial electronic messages, transparency, co-operation and redress mechanisms. Both sides engaged in technical discussions

to deepen understanding of each other's proposals, including identifying areas of commonality and differences, and approaches to domestic implementation.

A working group session was also held to discuss the UK's proposals in respect to state-owned enterprises and designated monopolies. Discussions were focused on developing a further understanding of the UK's interests in the context of New Zealand's own experience of these issues in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The Government Procurement working group made considerable progress on the text, agreeing a significant number of articles and sub-articles and narrowing further text discussion to areas of shared interest that go beyond current WTO procurement rules. The Parties had constructive discussions to prepare for the tabling of initial market access offers, including an exchange on existing government procurement commitments between them and their expectations for initial offers.

The Intellectual Property chapter discussions considered text proposals from each Party on enforcement and from the UK, on copyright. Each Party discussed their respective trade and domestic policy interests in these areas. While there are significant areas of overlap between the Parties, areas of difference were also identified such as copyright term, the protection of technological protection measures (or digital locks) and the scope of safe harbour protections for online service providers.

The UK presented its proposal for an Anti-corruption chapter. The working group discussed policy objectives supporting elements of the chapter.

In the Environment working group, New Zealand presented further proposals for the environment chapter and the UK presented a first tranche of text. Discussions were productive with both Parties identifying areas of convergence in right to regulate, sustainable forestry, climate change, circular economy, and environmental goods and services. Both Parties should be able to start agreeing text for these articles at Round Four. Useful discussions were also held on fisheries, biodiversity, indigenous peoples' issues and voluntary mechanisms.

Before Round Three, New Zealand invited external expert Te Taru White to present on the importance of the Treaty of Waitangi, Te Ao Māori and the Māori economy, with a view to raising awareness of Māori interests in trade, and to outline the key drivers behind these interests to the UK negotiating team. In the Indigenous working group, New Zealand reiterated the importance of the Treaty of Waitangi to its approach to trade agreements, Māori interests in trading with the UK, provided an update on ongoing engagement efforts with Māori, and spoke at a high-level on elements that could emerge as proposals in the negotiation as a result of the engagement and research processes under way. The working group continues to frame discussions within efforts to deliver benefits across our economies and societies, with New Zealand highlighting the importance of ensuring these benefits extend to Māori.

The Development working group considered the opportunities and challenges associated with measuring the effects of trade and trade policies on development outcomes for developing countries. The group also discussed the scope to include provisions in the agreement that provide opportunities in support of developing countries.

There was positive progress on the Dispute Settlement processes that would apply in the event of a dispute under the FTA. The working group moved towards consolidated text on elements where there was policy alignment, with other issues to be discussed in more detail at Round Four. There was constructive dialogue on other Legal and Institutional Provisions. This covered a range of cross-cutting provisions, including an initial discussion about the operation of the FTA Joint Committee and further detailed discussion of General Exceptions provisions, including New Zealand's Treaty of Waitangi exception.