



House of Commons

Business and Trade Committee

UK trade negotiations: Agreement with India: Government response to the International Trade Committee's Fifth Report of Session 2022-23

**Eighth Special Report of Session
2022–23**

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Business and Trade Committee

The Business and Trade Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Business and Trade.

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The current staff of the Committee are Matthew Chappell (Committee Operations Manager), Kenneth Fox (Clerk), James Hockaday (Committee Specialist), Catherine Kisanji (Committee Specialist), Catherine Meredith (Second Clerk), Jacob Moreton (Media Officer), Lewis Pickett (Committee Specialist), Delfina Raka (Committee Support Apprentice), David Turner (Committee Specialist), Tim West (Senior Media Officer), Louise Whitley (Senior Committee Specialist) and Sue Wrightman (Committee Operations Officer).

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You can follow the Committee on Twitter using [@CommonsBTC](https://twitter.com/CommonsBTC).

Eighth Special Report

The International Trade Committee published its Fifth Report of Session 2022–23, [*UK trade negotiations: Agreement with India*](#) (HC 77), on 21 April 2023. The Business and Trade Committee, which now has responsibility for scrutiny of Government policy on international trade, received a response from the Government on 16 June 2023: that response and a cover letter from the Secretary of State are published as an Appendix to this Report.

Appendix: Government Response

Letter from the Rt Hon Kemi Badenoch MP, Secretary of State for Business and Trade, to the Chair of the Committee, dated 16 June 2023

Dear Darren,

I look forward to working with the Business and Trade Committee (BTC) as we continue to progress negotiations on a free trade agreement (FTA) with India. I met the ITSC for the final time on 19 April 2023, and expressed my gratitude for their work and the constructive relationship I had with them.

One of the final reports presented by the ITSC was their report 'UK trade negotiations: Agreement with India'. I was grateful for this work and am writing in response to points raised in the report.

The Department for Business and Trade (DBT) has a clear objective in securing FTAs which support increased opportunities for UK businesses throughout the world. The case for a UK-India FTA was based on this as well as this Government's wider objectives, in particular deepening our economic relationship with Indo-Pacific region.

The UK already enjoys a strong bilateral trade relationship with India, currently worth £36 billion in 2022. India is projected to be the world's third largest economy with overall demand for Indian imports estimated to reach £1.38 trillion per year by 2035. A strong trade deal can strengthen the economic links between the UK and India, potentially boosting the UK economy by billions over the longer term, helping families and communities across the UK.

India sits in the heart of the Indo-Pacific region, which accounted for around 35% of the world's Gross Domestic Product (GDP) in 2022 and contains some of the world's fastest growing economies.

Along with successful accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a modern and balanced FTA with India would support the UK's deepening ties with a region vital to our strategic interests.

Our approach to the UK-India FTA negotiations was supported by a 14-week public call for input. We received 283 responses from businesses, civil society groups, trade unions,

public bodies, and individuals, which informed our objectives for this negotiation. Engagement has continued throughout these negotiations: we regularly consult industry and other interested parties to inform our positions and trade policy more broadly.

In the UK-India FTA negotiations, we will continue to uphold our high environmental, labour, food safety and animal welfare standards, and our right to regulate in the public interest. We are also clear that during these negotiations, the National Health Service and the services it provides are not on the table.

I have carefully considered the recommendations made by the ITSC and provided a detailed response to the BTC. I hope this response reassures the committee that negotiators are taking an approach to these talks which seeks to achieve the best possible outcome for the UK.

I look forward to updating the committee in due course. I note that in their report, the ITSC thanked my senior officials for their regular schedule of private briefings; I re-iterate my offer for them to privately brief this committee as you would find helpful.

Government response

Liberalising trade in goods

1. How will the Government address the concerns raised by the UK rice-milling industry about the possible removal of the tariff on milled rice?

The Government is aware of the UK rice milling industry's position, both through their consultation response and ongoing engagement. The UK and India have important agriculture sectors, and in negotiations both sides are looking for opportunities as well as protections for sensitive sectors.

2. What will be done to ensure that liberalisation of trade with India does not lead to "preference erosion", to the detriment of developing countries?

FTAs can contribute to preference erosion, and we recognised this in our negotiation objectives at the launch of talks. Preference erosion is an issue kept under consideration as negotiations progress. The UK and India have already provisionally agreed a standalone chapter on Trade and Development Cooperation, which allows both parties to monitor any potential effects of the UK-India FTA on other developing countries and take action if appropriate.

3. Will any liberalisation of trade with India be accompanied by rules of origin that allow key UK export sectors (notably automotives and whisky) to take full advantage of preferences granted?

In the UK-India FTA talks, our objective is to develop rules of origin which supports preferential tariff access, reflects current UK industry needs, and considers future supply chain opportunities. UK exporters currently face an average tariff of around 16% when sending their products to India. Our stakeholders are clear that a trade deal with strong market access provisions must be underpinned by rules of origin which supports potential benefits for UK businesses.

4. What safeguards will there be to avoid or minimise potential adverse effects of trade liberalisation on Micro, Small and Medium Enterprises, and rural communities, in India?

Small to Medium Enterprises (SMEs) make up an important part of the UK and Indian economies. We have provisionally agreed a chapter which aims to ensure that SMEs can understand and navigate the other country's systems and help them to utilise the many benefits of the whole FTA.

We have also provisionally closed a Trade and Gender Equality chapter in which we have agreed to undertake cooperation activity. This activity may enhance the competitiveness of women-owned and women-led SMEs, to better enable them to participate in international trade. I hope that this will encourage businesses of every size and from every region of India and the UK to take advantage of this deal.

Quality and safety of goods

5. Will liberalisation of trade with India in agri-food products be accompanied by commensurate reinforcement of capacity for checking quality and safety at the UK border?

In 2022, the UK imported £727 million worth of agri-food products from India, including seafood, vegetables and tea, all of which were required to meet UK standards at the border. Any new market access provisions from an FTA will not compromise on our stringent import quality and safety standards.

A range of Government departments, agencies and bodies will continue to ensure that UK import standards are met. These include the Food Standards Agency, Food Standards Scotland, the Animal and Plant Health Agency, The Veterinary Medicines Directorate, and the Health and Safety Executive. UK border agencies will continue to prioritise their resources to ensure the UK's import requirements are met as well as appropriate levels of protection are assured. Border agencies' resources are kept under review to ensure the UK maintains its high levels of biosecurity.

6. In negotiations with India, will the Government adhere to the protection of UK sanitary and phytosanitary standards as an inviolable “red line”?

We will not compromise on our high environmental protection, animal welfare, safety, and food standards in the UK-India FTA negotiations. Any FTA with India would ensure that decisions on UK sanitary and phytosanitary standards remain firmly a matter for the UK Government and Devolved Administrations.

7. How will the UK maintain, and enforce through adequate checks on imports, current UK standards on the use of pesticides and the presence of pesticide residues in food?

The UK already uses a robust programme of monitoring and has strict statutory limits for pesticide residue levels on food, enforced by the Health & Safety Executive. Products currently imported from India comply with our requirements. Decisions on UK standards remain a matter for the UK Government and Devolved Administrations, including on pesticides, and any agreement with India will uphold these principles.

Compliance with pesticide maximum residue levels is monitored through a programme of official testing for residues in food and drink. This includes an annual pesticide residue monitoring programme which is representative of the country's food supply.

8. Will the Government insist on India's standards catalogue being more closely harmonized with international standards?

International standards play a significant role in breaking down barriers to trade. The uptake of international standards is a key objective in the UK-India FTA, notably through a robust Technical Barriers to Trade chapter.

9. What will be done to address the non-tariff barriers faced by UK automotive exports to India?

An FTA with strong provisions for non-tariff barriers stands to benefit UK businesses, including those in the automotive sector. In the negotiations with India, we are exploring several ways to achieve this, including through better transparency of India's regulatory processes and promotion of international standards.

10. Will the Government maintain an inviolable "red line" that any easing of UK technical barriers to trade in respect of drugs and medical goods cannot be at the expense of quality and safety?

We will not agree to any provisions that would threaten the safety and quality of drugs and medical goods in a UK-India FTA. We are also clear that during these negotiations, as in all trade agreements, the NHS and the services it provides are not on the table.

Trade in services

11. How far will the Government insist on India adopting formal and binding commitments on liberalising market access in respect of services?

In the UK-India FTA negotiations, the UK seeks to secure and lock-in current services market access, as well as agree new access for key UK export services sectors, such as professional and business, and financial services. These provisions can increase certainty for UK businesses operating in India and prevent any rolling-back of this liberalisation in future, making India a more attractive destination for UK companies to do business.

During extensive consultation with UK companies and business organisations, stakeholders have been clear regarding the difficulties in operating in an uncertain market. India's services market is highly restrictive by international standards, ranking 47th (of 50) in the OECD Services Trade Restrictiveness index. (This index ranks OECD members and some other large countries by how restrictive their rules on services trade are.) However, even with those restrictions, 48% of all bilateral trade between UK and India was services (in 2021).

12. What will the Government do to ensure that it speaks with a single voice on migration and mobility in relation to a UK-India trade agreement, to allow the negotiators to work without disruptive political off-stage noises?

An FTA with India will not contain commitments on immigration or provide access to the UK domestic labour market. There will also be no agreement to anything which undermines the principles or functioning of the UK's points-based immigration system, or which undermines the UK's ability to control its own border.

In negotiations we are discussing business mobility, which would make it easier for highly skilled professionals to deliver services in each other's markets on a short-term and temporary basis.

13. What provisions on the mutual recognition of professional qualifications will the Government pursue in a trade agreement with India?

The recognition of professional qualifications can be an effective measure to reduce behind-the-border barriers to trade and provide greater certainty to UK professionals seeking to practice in India.

In negotiations with India, we are exploring provisions to facilitate the recognition of professional qualifications, where there is interest from regulators. However, it is the responsibility of each nation's independent regulators to set, maintain, and assess against the relevant professional standards. Any provisions in an FTA should strike a balance between protecting important regulator autonomy and making it easier for those regulators who may want to pursue recognition or other arrangements to do so.

Other provisions

14. How far will India's draft Digital Data Protection Bill allow fulfilment of the UK's offensive interests on digital and data provisions in a trade agreement?

The UK and India are mindful of the need to respect domestic sensitivities such as legislation, and to also include provisions in the deal which allow us to review and adapt the agreement as our economies evolve. In negotiations with India, we are exploring a range of commitments that would support consumers and businesses to participate in digital trade. This includes the consideration of data flows.

15. In negotiations with India, how will the Government reconcile its wish to champion the intellectual property interests of the UK pharmaceutical industry with maintaining its clear commitments on keeping down NHS drug costs and ensuring access to medicines? An approach which would be advantageous to both parties would be one which facilitated the research and development of pharmaceuticals in the UK and enabled their production in India.

In our negotiations with India, our approach to intellectual property (IP) is to strike a balance between rewarding research and innovation whilst reflecting wider public interests such as ensuring access to medicines. We will not agree to any provisions that would increase the cost of medicines for our National Health Service. The NHS, its services, and the cost of medicines are not on the table.

In addition to our work on the FTA, we remain committed to the Doha Declaration on the TRIPS Agreement and Public Health, and its agreed flexibilities that support access to medicines.

16. What are the Government's aims regarding the inclusion of investor-state dispute settlement (ISDS) in an agreement with India; and how do these aims relate to the UK's broader approach to investor protection? The UK Government has still not identified the advantages of adding ISDS provisions to an agreement.

In the UK-India FTA we are aiming to further enable UK businesses to invest in India and provide them with the legal certainty and confidence they need to operate to their best potential in the Indian market. The UK and India already have a significant investment relationship, and UK investors have a substantial presence in the Indian market. Outward stock of foreign direct investment (FDI) from the UK to India was worth £19.1 billion in 2021.

As part of FTA talks, we seek to provide sufficient protections to UK investors, and guarantees that they receive fair and non-discriminatory treatment, including access to adequate remedies. The inclusion of Investor State Dispute Settlement (ISDS) in an agreement is considered where it is in the UK's national interests and where there is agreement with partners and businesses that it can play a useful role in supporting the bilateral investment relationship. Where the UK negotiates ISDS it will be in line with modern international best practice.

17. What will be done to ensure that any liberalisation of India's rules on government procurement do not inhibit its ability to use those rules as a development tool?

We seek to agree provisions in the UK-India FTA that ensure procurement processes are fair, open, transparent, and accessible for all suppliers. This may include provisions such as simplifying procurement rules and reducing the burden for businesses. These provisions could help increase participation of SMEs in both nations, which in turn will help to drive local growth and development and promote innovation. We will also seek provisions which allow the UK and India to address corruption, fraud, and other illegal acts in their procurement systems, which supports businesses of all sizes to access procurement opportunities.

18. Will the Government make it a "red line" that liberalisation of trade is conditional on the mutual ratification and effective implementation of core UN and International Labour Organization human rights conventions?

The Government is proud of its record on labour protections, and an FTA with India will not undermine that. In line with our international obligations, we will continue to protect our labour standards in our trade agreements. The UK has ratified nine of the ten Fundamental ILO Conventions and we continue to encourage our partners to make efforts to ratify all the Fundamental Conventions as we are doing.

19. Will the Government consider pressing for provisions whereby liberalisation of trade in environmentally sensitive goods is conditional on those goods being shown to meet sustainability requirements?

In FTA negotiations with India, we seek provisions that support our ambitions on the environment, sustainability, and achieving our international obligations. However, we recognise that climate change and environmental issues represent a large set of policy issues that cannot be solved with any single trade treaty.

The Government is clear that issues related to environment and climate will most effectively be tackled through an international approach, and our approach to a UK-India FTA serves to reinforce and support our wider efforts to address our climate change and environmental objectives.

Outside of the FTA we are pursuing our climate and environmental objectives in fora such as the World Trade Organization (WTO). The UK is also undertaking a range of other measures that support clean growth, green exports and attracting investment into UK green sectors.

20. Will the Government consider seeking provisions under which liberalisation of trade in animal products is conditional on the production of those goods being shown to meet animal welfare standards?

The Government remains committed to the UK's highest standards of animal welfare. An FTA with India will not change import requirements for products coming in from India; all agri-food products imported into the UK will continue to need to comply with them. Requirements include appropriate slaughter of animals such as taking the necessary measures to avoid pain, distress or suffering, and to ensure imports come from approved slaughterhouses, such as providing rules governing layout, construction and equipment.