

Response to the International Agreements Sub-Committee Call for Evidence on the UK-India Trade negotiations

I would like to thank you for sharing your questions regarding the UK-India Free Trade Agreement (FTA) negotiations. This document responds to the questions by theme, providing additional context where appropriate. The information provided draws from existing sources that may already be available to you and adds new information where available.

Summary of available documents:

- [Public Bundle](#)
- [Regional Factsheets](#) – published at launch 13 January 2022
- Joint Outcome Statements – [Round 1](#), [Round 2](#), [Round 3](#), and [Round 4](#)
- Written Ministerial Statements – [launch](#), [Round 1](#), [Round 2](#), [Round 3](#), and [Round 4](#)
- PM visit to India – [Joint Statement](#)

Overview

HM Government has an ambitious programme of Free Trade Agreement (FTA) negotiations to help our nation become a truly Global Britain. This Government seeks to negotiate FTAs and build relationships with our trading partners, breaking down barriers to trade and supporting growth, jobs, and higher wages for UK workers.

India sits at the heart of the Indo-Pacific and securing an agreement which enhances our trade relationship will give the UK access to a market which can provide both short and long-term benefits. A UK-India agreement will help to put the UK at the centre of an area representing over 40% of global GDP and containing some of the world's fastest growing economies.

India is also the world's largest democracy and has long maintained its support for international co-operation and democratic government. An FTA with India offers the opportunity to deepen our relationship on multiple levels.

An agreement with India would complement the UK's other commitments in this region, such as recently signed trade agreements with Australia and New Zealand and ongoing negotiations with the 11 member countries of CPTPP.

In May 2021, Prime Ministers Narendra Modi and Boris Johnson signed the 2030 Roadmap for India-UK Future Relations. This roadmap included the UK-India Enhanced Trade Partnership (ETP), which set our ambition to double trade by 2030 and embark on FTA negotiations.

Following a public consultation which ran between May to August 2021, the Government formally launched the FTA talks in January 2022. To date, there have been four rounds of negotiations. In April 2022, Prime Minister Johnson travelled to India and during his trip, the Prime Ministers set a target of Diwali (24 October 2022) to conclude the majority of talks on a comprehensive and balanced Free Trade Agreement.

Our ambitions for the UK-India FTA: a comprehensive and balanced deal to deliver UK interests

The opportunity that an FTA with India presents to the UK is significant. In 2021, India had a population of 1.4 billion and a £2.3 trillion economy.ⁱ It is projected to become the world's third largest economy by 2050ⁱⁱ and is one of the world's fastest-growing major economiesⁱⁱⁱ. As India's middle class grows to a quarter of a billion consumers, any improvements to our current trading relationship could be game changing for UK companies.

India and the UK enjoy a high degree of trade complementarity, but India's barriers to trade in goods and services are relatively high compared to other trading partners, holding back the full potential of our trade and investment relationship. A comprehensive FTA which includes a broad range of liberalising and cooperative provisions, including good market access and services coverage, could help address barriers to trade, making it easier and more cost-effective for UK companies to do business in India's dynamic market. An agreement could also benefit Indian and UK consumers directly through increased consumer choice, better product quality, and lower prices.

To develop an ambitious set of negotiation objectives, HM Government undertook an extensive consultation, speaking to businesses, consumers, civil society and business associations across the UK. A highly ambitious set of objectives that respond to a wide variety of UK interests were captured in the Public Bundle.

Our negotiators are now working to achieve as many of these objectives as possible, whilst recognising that the eventual deal will need to be balanced and sensitive to the needs of both sides. As the negotiation progresses, DIT regularly consults industry representatives and other interested parties to inform the positions throughout negotiations. This includes engaging our Trade Advisory Groups (TAGs), Strategic Trade Advisory Group (STAG), Board of Trade and cross-government Thematic Working Groups, Trade Union Advisory Group and Civil Society roundtables.

Both the UK and India are committed to pursuing the best and most ambitious deal possible at this time and are now negotiating across a wide range of policy tracks.

A deal for the whole of the UK

The UK Government is responsible for negotiating international trade agreements on behalf of all the nations and regions in the UK. International trade is a reserved matter, but modern trade agreements increasingly intersect with areas of devolved competence and implementation in these areas is also a matter for the devolved administrations.

As such, the devolved administrations have a significant interest in international trade policy and DIT works closely with them to deliver policy that reflects the interests of all the nations within the UK.

At every stage of developing our objectives for the UK-India FTA, we have taken into consideration their views and priorities. There is significant opportunity for companies of all sizes across the UK in a trade deal with India.

The distribution of sectors across the country suggests that all nations and regions could see an increase in output from an FTA. For instance, in 2020, over 400 businesses in Scotland exported over £310m worth of goods to India. This could be made easier and more profitable for businesses with an FTA that features good market access and services provisions. Wales' hi-tech sector could also potentially benefit as India's digital economy could reach \$1 trillion by 2025. Finally, Northern Ireland's world-class services sector, responsible for around 80% of its jobs, could also see an uplift as a result of a comprehensive FTA.

Economic impact of the agreement

An FTA between the UK and India provides an opportunity for British and Indian businesses to benefit from lower trade costs, boosting economic activity in both countries' areas of competitive strength. Businesses across both countries could gain access to cheaper inputs, benefiting existing supply chains and encouraging businesses to build new ones. An agreement could benefit consumers directly through increased consumer choice, better product quality and lower prices.

The early scoping analysis which was published at launch details projected impacts of an FTA. This includes projected economic benefits of the deal. Our already strong trade and investment relationship was worth £24.3 billion in 2021. Preliminary estimates of a broad FTA suggest UK exports could increase by another £8.8 billion a year by 2035 and has the potential to boost UK and Indian GDP by around £3.3 billion (0.12%) and £3.7bn (0.07%) in 2035 (in 2019 prices) respectively, resulting from the reduction of tariff and non-tariff barriers to trade in goods and services.^{iv,v} The department will publish an Impact Assessment at the end of the negotiations which will revise these figures and provide an independently scrutinised economic assessment of the final agreement.

Trade and mobility

As is standard in the UK's FTAs, we will explore business mobility provisions with India that support businesses and consumers, and which promote the interests of both of our countries. Business mobility is not the same as immigration.

In FTA business mobility provisions, the UK typically binds-in existing rules, generating certainty of access for businesses and businesspeople, and where appropriate, creates limited new access for foreign service suppliers in particular sectors. These commitments are predominantly made in respect of professional and business services sectors, and in previous FTAs have extended to research and development services. In making these commitments, the UK can encourage the best and brightest talent from India to temporarily enter the UK to deliver services, whilst ensuring that the integrity of the UK's points-based immigration system is maintained, and immigration can be controlled.

When assessing India's asks on business mobility in our FTA, we will determine whether, on balance, they will deliver net benefits to the UK. We will not agree to anything which undermines the principles or functioning of the UK's points-based immigration system, or our ability to control immigration.

Environment and climate

The UK is a world leader on climate action, and we promote delivery of our environmental and climate commitments in multilateral fora, as well as in our free trade agreements.

In all of our FTAs, we are committed to maintaining the UK's right to regulate, including in pursuit of decarbonisation; to reaffirming Multilateral Environmental Agreements such as the Paris Agreement; and to strengthening cooperation in tackling a wide range of areas of climate change and environmental concern.

We are committed to ensuring that trade will not come at the expense of the environment, and this applies to a UK-India FTA. The UK and India were among nearly 200 countries to agree the Glasgow Climate Pact at COP26, to keep 1.5C alive. We remain committed to this and the Prime Minister has made clear that the UK's climate change agenda is a top priority.

Human, labour, women's and minority rights

The Government's international obligations and commitments, including on human rights, are always of paramount importance when it makes decisions on its trading relations. While we believe that trade is vital for our economy and future prosperity, this in no way compromises the UK's commitment to upholding human rights at the core of our foreign policy.

As part of these negotiations, the UK will maintain its sovereign right to regulate on its own domestic labour protections, reaffirm each party's respective commitments to international to labour standards and ensure that the FTA protects against labour rights being reduced to gain a trade advantage.

The Government continues to share the public's high regard for worker protections and is clear that we will not compromise on these. The UK will look to explore, alongside India, how labour provisions within an FTA could support these objectives.

The UK is committed to ensuring that our trade policy supports women's economic empowerment and furthers our efforts to promote gender equality. In line with UK negotiation objectives, we seek provisions which reflect our commitment to address the systemic barriers which exist for women in trade. In this Chapter, the UK and India commit to undertake cooperation activities that support women workers, business owners and entrepreneurs to access the full benefits of this Agreement.

Food safety standards, animal and plant health or animal welfare standards

HM Government have been clear that in all of our trade negotiations we will not compromise on our world-leading environmental protections, animal welfare and food safety standards.

Decisions on these standards are a matter for the UK Government and devolved administrations and will be made separately from any trade agreements.

A range of Government departments, agencies and bodies continue to ensure that standards are met including the Food Standards Agency, Food Standards Scotland, the Animal and Plant Health Agency, The Veterinary Medicines Directorate and Health and Safety Executive.

All food and drink products imported into the UK under existing or future free trade agreements will, as now, have to comply with our stringent food safety standards.

We are already undertaking an ambitious approach to cooperation and collaboration in many of our new FTAs where we are seeking, and have secured, commitments to work with trading partners on animal welfare, with a view to raising standards.

Impact on developing countries

We are committed to ensuring that the UK's new trade agreements are not only free, but fair, including toward developing nations. We will seek to ensure that UK Free Trade Agreements with our partners maximise the positive and take into consideration any impacts on developing countries.

The scoping assessment considers the risk of effects on some developing countries' exports to the UK. A UK-India FTA has the potential to affect the economies of certain least developed countries (LDCs). The GDP impact on third countries, including developing economies in the region, is estimated to be minimal in most cases, however there will be an impact on certain sectors to varying degrees.

In line with our objectives, we seek provisions in the UK-India FTA, that reinforce the UK and India's commitment to promoting sustainable and inclusive economic growth. By including development objectives in FTAs, we are seeking to assess and understand possible impacts of our FTAs on developing countries, promote cooperation with our partners to address risks, and maximise opportunities for development. This is just one part of the UK's approach to ensure developing countries are able to continue to reduce poverty through trade.

Conclusion

HM Government values the committee's interest in the FTA programme and trade negotiations and is determined to make the relevant information available in line with the transparency commitments made to Parliament. DIT will continue to update the committee as negotiations progress in the usual ways, by correspondence and ministerial statements.

ⁱ IMF World Economic Outlook, April 2022. Conversion using Bank of England annual average exchange rate, USD to GBP (2021).

ⁱⁱ DIT (2021), Global trade outlook – September 2021 report.

ⁱⁱⁱ. [OECD](#). Accessed 14th June 2022.

^{iv} [DIT's scoping assessment](#) (January 2022). 2035 represents the long run. This is because we assume the long run to be around 15 years following the implementation of the agreement.

^v This is when compared to projected levels of GDP in 2035 (in 2019 prices) without the agreement. As with all modelling exercises, both the point estimates and the projections which they are applied to are subject to uncertainty. More details on the methodology and projections used can be found in the [technical annexes accompanying the UK-India FTA scoping assessment](#).