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Unlocking Economic Potential or Losing National Sovereignty? – An Examination of India-UK FTAs in The Global Trade Dynamics

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ABSTRACT

This paper examines the significance of the ongoing India-UK Free Trade Agreement (FTA) negotiations in the context of their robust bilateral trade relationship, valued at £23.3 billion in 2019. Against a backdrop of shifting global trade dynamics from WTO-led multilateralism to Regional Trade Agreements (RTAs), exemplified by India's Trade and Economic Partnership Agreement (TEPA) with the EFTA, the proposed FTA aims to enhance trade and investment cooperation. The agreement has the potential to increase UK exports to India by £16.7 billion by 2035, fostering economic growth for both nations. However, this potential is tempered by concerns over national sovereignty, particularly regarding intellectual property rights, agricultural subsidies, and regulatory standards. The UK prioritizes maintaining high standards in environmental protection, labour rights, and food safety, and protecting the NHS from increased medication costs. For India, the FTA offers an opportunity to strengthen its global trade presence and attract foreign investments while safeguarding domestic industries and regulatory autonomy. This paper argues that the FTA's success hinges on meticulous negotiation to balance economic benefits with the preservation of national sovereignty and standards, shaping the future economic landscape of both countries and impacting global trade dynamics.

Keywords: India, United Kingdom, FTA, Trade, Negotiations.

I. INTRODUCTION

"The economic ties between India and the UNITED KINGDOM are exemplified by their robust bilateral trade, which reached £23.3 billion in 2019, according to UNITED KINGDOM government data. This substantial economic relationship underscores the significance of the ongoing negotiations for the India-UNITED KINGDOM Free Trade Agreement (FTA), as both nations aim to further enhance their trade and investment cooperation."

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The global trade landscape is shifting significantly, moving away from WTO-led multilateralism towards a world dominated by Regional Trade Agreements (RTAs). India's recent Trade and Economic Partnership Agreement (TEPA) with the EFTA exemplifies this trend, highlighting the strategic importance of bilateral partnerships in expanding trade networks. Building on this momentum, the ongoing negotiations for an India-United Kingdom Free Trade Agreement (FTA) mark a pivotal moment. The proposed FTA promises to unlock new avenues for trade and investment, fostering economic growth for both nations. However, amidst the optimism, concerns linger regarding potential compromises to national sovereignty. In particular, issues such as intellectual property rights, agricultural subsidies, and regulatory standards could be areas of contention. These areas require careful negotiation to ensure that economic gains do not come at the expense of sovereignty and domestic policy autonomy. In the following discussion, we will delve into these potential areas of compromise on sovereignty, assessing their implications for the India- United Kingdom Free Trade Agreement (FTA) negotiations and the broader context of international trade agreements.

Post-Brexit, the United Kingdom seeks to establish itself as an independent trading nation, forging new trade deals to bolster economic ties and regional development. An FTA with India, a powerhouse with a booming economy, presents a significant opportunity. Bilateral trade between the United Kingdom and India, valued at £23.3 billion in 2019, underscores the existing economic relationship. Proponents estimate the FTA could increase UK exports to India by a staggering £16.7 billion by 2035. However, navigating the complexities of an FTA requires a delicate balancing act. While strengthening economic ties, boosting GDP, and promoting trade and investment are key objectives, ensuring a mutually beneficial agreement that respects critical standards and values is paramount. The United Kingdom government has emphasized the non-negotiability of high standards in areas like environmental protection, labour rights, and food safety. Additionally, safeguards are in place to protect the National Health Service (NHS) from provisions that could impact medication costs.

For India, the FTA presents an opportunity to solidify its global trade presence, access new markets, and attract foreign investments. However, navigating the negotiations carefully ensures that economic interests are protected and domestic industries and regulatory autonomy remain uncompromised. Critics warn that the allure of economic benefits should not overshadow potential compromises on national sovereignty and regulatory standards. The FTA's success hinges on meticulous negotiation and robust safeguards to uphold domestic policy integrity and safeguard national interests. This debate raises a fundamental question:

“Can the India-UK FTA unlock economic potential without compromising sovereignty and

high standards?”

The answer lies in the meticulous crafting of the agreement, ensuring it fosters economic growth while respecting and upholding national values and interests.

As negotiations unfold, scrutinizing the FTA's strategic objectives, potential benefits, and inherent risks is critical. This analysis will delve into the broader implications within global trade dynamics, evaluating whether economic gain justifies potential compromises on sovereignty. Through this lens, we will explore the interplay between economic ambitions and national integrity, offering a nuanced perspective on the impact of this significant trade agreement. The stakes are high, and the outcome will testify to the delicate balance between economic progress and sovereign prerogatives in the global trading arena.

As we delve deeper into the intricacies of the India- United Kingdom Free Trade Agreement, it becomes clear that the decisions made in these negotiations will shape the future economic landscape of these two nations and have far-reaching implications for global trade dynamics. Let us explore this significant agreement's opportunities and challenges and consider its potential impact on the interconnected world of commerce and diplomacy.

(A) Background

India's FTA strategy has evolved significantly since 2011, marked by strategic shifts in trading partners, a heightened focus on services exports, and proactive measures to tackle non-tariff barriers. Transitioning from its earlier "Look East" policy, India now prioritizes agreements with Western nations to secure greater market access for its competitive sectors. This strategic realignment is evidenced by India's trade dynamics, with a substantial trade deficit with ASEAN growing from approximately USD 5 billion in 2010 to USD 26 billion in 2021-22, contrasted by a trade surplus of USD 1.6 billion with the United Kingdom in 2022.

Modern FTAs underscore this strategic evolution, emphasizing services trade to leverage India's IT and financial services strengths. For instance, the India-Australia Economic Cooperation and Trade Agreement allows for 49% foreign equity in Australian banking and insurance services in India and 74% for Australian internet services businesses. Furthermore, efforts to address non-tariff measures, such as the India-UAE agreement resolving mutual recognition issues, are pivotal in facilitating smoother trade. This agreement includes provisions to expedite product registrations for Indian pharmaceuticals in the UAE if approved by regulatory authorities in countries like Australia, the EU, Japan, the United Kingdom, or the US, ensuring expedited market access for Indian products.

“These strategic shifts underscore India's evolving FTA approach, aimed at enhancing market

access and driving economic growth. However, several impediments hinder the optimal utilization of FTAs, including implementation challenges, non-tariff barriers, and sector-specific issues. Robust implementation mechanisms are essential to fully realize the benefits of FTAs, ensuring that agreed-upon measures are effectively implemented. Non-tariff barriers, such as stringent regulatory requirements, can impede trade despite existing agreements. Additionally, specific sectors may benefit differently from FTAs, necessitating tailored strategies to address their unique challenges. Looking ahead, India should focus on high-value-added exports to maximize the benefits of FTAs, which include liberalizing markets for inputs, enhancing technology transfer and research and development (R&D), developing infrastructure and skills, encouraging innovation startups, and strengthening Intellectual Property Rights (IPR). Addressing domestic constraints is also crucial, requiring India to streamline regulatory processes, provide incentives, improve infrastructure, and enhance the ease of doing business to attract more investment and manufacturing facilities. Effective industry consultations are also crucial for informed FTA negotiations, necessitating strategies such as establishing regular dialogue, including industry input in FTA strategies, and monitoring and evaluating impact.”²

Building resilience through FTAs is crucial, particularly in light of recent global supply chain disruptions. Diversifying supply chains helps reduce dependency on any single source for critical inputs, ensuring more reliable trade routes and partnerships. FTAs play a pivotal role in this regard by enhancing market access and streamlining regulatory processes, thus lessening the impact of disruptions. Provisions for technology transfer and investment in local industries within FTAs can further bolster domestic production capabilities, increasing resilience. However, partnering with Western countries in FTAs presents challenges such as stricter intellectual property rights (IPR) enforcement and higher labour and environmental regulations standards. Careful negotiation is essential to balance compliance with securing favourable trade terms, ensuring that FTAs contribute to India's resilience strategy.

Addressing domestic constraints is also critical for enhancing resilience. India has made significant progress in this area, particularly in streamlining regulatory processes. For example, the introduction of online portals for acquiring land and obtaining environmental clearances has significantly reduced the time and effort required for these processes. The Environmental Clearance Portal (ECP) allows for the online submission and processing of clearance applications, streamlining the entire process. Additionally, successful incentive programs, such

² *Decoding India's FTA Journey: What does the Future Hold?* - CSEP, CSEP - Centre for Social and Economic Progress, https://csep.org/blog/decoding-indias-fta-journey-what-does-the-future-hold/?_gl=1*warrui*_ga*NTM5MzE4NzM1LjE3MTcwMDYzMTQ.*_ga_MBTGG7KX5Y*MTcxNzAwNjMxMi4xLjEuMTcxNzAwNjM4OS4wLjAuMA.. (last visited May 29, 2024).

as tax holidays and subsidies, have been instrumental in attracting domestic and foreign investors to set up manufacturing units in India. These efforts are crucial for creating a more competitive environment and improving the ease of doing business in the country, ultimately contributing to India's resilience through FTAs.

II. POTENTIAL FUTURE DIRECTIONS

Continued Focus on Western Partners: India's shift towards seeking agreements with Western countries may continue, especially as these countries offer significant market access and opportunities for India's competitive sectors. Given their advanced economies and technological capabilities, strengthening ties with countries like the United Kingdom, EU, and US could be a priority.

- **Regional Trade Agreements:** While India has been focusing on agreements with Western countries, it may also prioritize regional trade agreements (RTAs) to enhance trade within its geographical proximity. Strengthening relationships with neighbouring countries through RTAs like the Regional Comprehensive Economic Partnership (RCEP) or bilateral agreements could benefit regional economic integration.
- **Focus on Services and High-Tech Sectors:** Given India's strengths in IT and financial services and its desire to transition to high-value-added exports, future FTAs may continue emphasizing services trade and technology transfer. Agreements facilitating investment in high-tech industries and promoting innovation could be pursued to drive economic growth and competitiveness.
- **Addressing Non-Tariff Measures and Implementation Challenges:** Future FTA strategies may prioritize addressing non-tariff measures and implementation challenges to ensure that the benefits of trade agreements are fully realized. This could involve strengthening enforcement mechanisms, enhancing regulatory cooperation, and providing capacity-building support to address implementation gaps.
- **Balancing Economic and Geopolitical Considerations:** India may need to balance its economic interests with geopolitical considerations in its FTA strategy. While economic benefits are paramount, strategic partnerships and geopolitical alliances may also influence the choice of trading partners and the nature of agreements pursued

(A) Consultation on Trade Negotiations with India

In May 2021, Prime Ministers Boris Johnson and Narendra Modi announced an intent to negotiate a Free Trade Agreement (FTA) between the UK and India as part of an Enhanced

Trade Partnership. This partnership aimed to address immediate market access barriers, double bilateral trade by 2030, and lay the groundwork for future FTA negotiations. The Department for International Trade (DIT) launched a comprehensive consultation process to gather input and shape the FTA.

- **Consultation Launch:** The DIT initiated the consultation on May 25, inviting input from consumers, businesses, and stakeholders across various sectors. The consultation aimed to gather insights to drive economic growth, create high-value jobs, and benefit both economies. It included virtual engagement events throughout the UK that lasted 14 weeks and closed on August 31.
- **Rationale for the Free Trade Agreement:** India, the world's largest democracy with a rapidly growing population, presents significant economic opportunities across life sciences, technology, and services. However, existing trade barriers, including complex regulations and high tariffs, hinder market access. An FTA with India is seen as a way to enhance economic ties, increase prosperity, and support recovery from the COVID-19 pandemic.
- **Consultation Process:** The online consultation featured a detailed questionnaire with 94 questions, covering core areas and specific demographic and logistical queries. Questions were tailored for different respondent groups, including individuals, businesses, business associations, NGOs, and public sector bodies. Responses were collected through the online questionnaire, a dedicated email inbox, and virtual engagement events.
- **Response Overview:** 283 responses were received, with submissions accepted through the online questionnaire and email. Respondents represented diverse stakeholders, including individuals, businesses, business associations, NGOs, and public sector bodies. The responses will inform the UK's approach to negotiating an FTA with India to boost trade and economic cooperation between the two countries.

| Respondent group | Responses (portal) | Responses (email) |
|----------------------|--------------------|-------------------|
| Individual | 42 | 0 |
| NGO | 24 | 4 |
| Business | 107 | 14 |
| Business association | 54 | 25 |
| PSB | 7 | 1 |
| Not disclosed | 5 | 0 |
| TOTAL | 239 | 44 |

(B) Scoping Assessment: UK-India Free Trade Agreement (FTA)

India has been experiencing robust growth, with an average annual growth rate of 7%. Between 2019 and 2030, this growth is projected to sustain at around 5.6% per annum. India had approximately 1.38 billion people in 2020 as the world's second most populous country. In 2019, India was the world's fifth-largest economy, boasting a nominal GDP of £2.25 trillion. With the rise in GDP per capita, India's economic potential continues expanding, offering significant domestic and international economic opportunities. The UK-India Free Trade Agreement (FTA) holds significant potential for economic benefits in both countries. By lowering trade costs, businesses could experience an increase in economic activity and a boost in specialization, enhancing overall productivity. The agreement could also provide access to cheaper inputs, which would benefit existing supply chains and foster the development of new ones, thereby increasing efficiency and competitiveness. Additionally, consumers stand to gain from the FTA through a broader selection of products, improved quality, and reduced prices, ultimately enhancing consumer welfare and market dynamism.

“The trade and investment relationship between India and the UK is significant, with India being the UK's 15th largest trading partner in 2020. Trade between the two countries was valued at £23.3 billion in 2019. The UK's foreign direct investment (FDI) holdings in India totalled £15.3 billion in 2019, while India's FDI holdings in the UK were £9.5 billion”³. This trading relationship supports employment across the UK, with approximately 63,000 UK jobs linked to exports to India in 2016. The economies of both nations complement each other across various sectors: the UK excels in engines, motors, transport products, pharmaceuticals, and financial services, while India is strong in textiles, agriculture, telecommunications, computer, and information services.

³ <https://pib.gov.in/PressReleasePage.aspx?PRID=1805113> (last visited May 29, 2024).

While India has made significant strides in its Free Trade Agreement (FTA) strategy, several challenges hinder the optimal utilization of these agreements. Delving deeper into these challenges provides a clearer understanding of their impact on trade.

(C) Non-Tariff Barriers (NTBs):

- **Regulatory Hurdles:** India's complex regulatory environment poses challenges for foreign companies. For example, India's regulatory requirements for drug approvals, labelling, and packaging in the pharmaceutical sector can be stringent, leading to delays and increased costs for companies.
- **Technical Barriers:** Technical regulations and standards can act as NTBs. For instance, India's food safety standards have been criticized for being too stringent, leading to challenges for food exporters in meeting these requirements.
- **Customs Procedures:** Lengthy and opaque customs procedures can also hinder trade. Delays in customs clearance, arbitrary valuation of goods, and lack of transparency can increase costs and uncertainty for traders.

(D) Sector-Specific Issues:

- **Agriculture:** Agricultural trade faces challenges due to subsidies and tariff escalation. For example, in the dairy sector, India's high tariffs on milk powder and dairy products protect domestic producers but limit market access for exporters.
- **Automobiles:** The automotive sector faces high import duties on vehicles and parts and stringent safety and emission standards. This can make it difficult for foreign automobile manufacturers to enter the Indian market or compete with domestic producers.
- **Services:** Despite India's strengths in IT and financial services, barriers such as restrictions on foreign ownership and complex licensing requirements can hinder the growth of these sectors in international markets.

(E) Case Studies:

- **Pharmaceutical Sector:** In 2017, India imposed price controls on medical devices such as stents and knee implants, affecting the profitability of foreign manufacturers and leading to concerns about access to innovative healthcare products.
- **Automobile Sector:** India's Automotive Mission Plan 2016-26 aims to make India a global automotive hub. However, high taxes, inadequate infrastructure, and complex

regulations have hindered the sector's growth.

Addressing these challenges is crucial for India to benefit from FTAs fully, streamline trade processes, and create a more conducive environment for international trade and investment. Addressing non-tariff measures (NTMs) and implementation challenges requires a multifaceted approach that involves policy reforms, capacity building, and stakeholder engagement. Here are some detailed insights into how India can tackle these challenges and balance economic and geopolitical considerations in its Free Trade Agreement (FTA) strategy:

(F) Policy Reforms for NTMs:

- **Harmonization of Standards:** India can work towards aligning its standards and regulations with international best practices. This can reduce compliance costs for exporters and facilitate trade.
- **Transparency and Consultation:** Enhancing transparency in the regulatory process and engaging with stakeholders can help identify and address NTMs effectively. Regular consultations with industry bodies, NGOs, and trading partners can lead to more informed and inclusive policymaking.
- **Capacity Building:** Building the capacity of regulatory agencies to implement and enforce regulations effectively can improve compliance and reduce the incidence of NTMs.
- **Digitalization of Trade Procedures:** Adopting digital platforms for trade procedures, such as customs clearance and product certification, can streamline processes and reduce the scope for NTMs.

(G) Implementation Challenges:

- **Enhanced Monitoring and Evaluation:** Implementing robust monitoring and evaluation mechanisms can help track the implementation of FTAs and identify areas where corrective measures are needed.
- **Capacity Building:** Providing training and technical assistance to government officials, customs officers, and other stakeholders can improve their understanding of FTA provisions and enhance their capacity to implement them effectively.
- **Public Awareness Campaigns:** Raising awareness among businesses and the public about the benefits of FTAs and how to take advantage of them can improve uptake and utilization.

(H) Balancing Economic and Geopolitical Considerations:

- **Diversification of Partners:** India can balance economic and geopolitical considerations by diversifying its FTA partners. While focusing on strategic partnerships with the US and EU, India can also explore opportunities with emerging economies and regional blocs.
- **Safeguarding National Interest:** India should prioritize its national interest in FTA negotiations, ensuring that agreements are balanced and mutually beneficial. This includes protecting sensitive sectors and ensuring that FTA provisions do not undermine domestic regulations or sovereignty.
- **Engagement with Multilateral Organizations:** Engaging with multilateral organizations such as the World Trade Organization (WTO) can help India align its FTA strategy with broader trade rules and norms, enhancing transparency and predictability in its trade relations.

By adopting these strategies, India can address NTMs and implementation challenges while balancing its economic and geopolitical considerations in its FTA strategy. This can help India fully realize the benefits of its FTAs and enhance its position in the global trading system.

III. STRATEGIC AND ECONOMIC SIGNIFICANCE OF THE INDIA-UK FTA

The UK and India collectively account for 6.6% of global GDP in 2019, with India's economy growing by an average of 7.0% annually in the decade leading up to 2019. In 2019, 9,910 UK businesses exported goods worth £4.6 billion to India, supporting approximately 63,000 jobs. A free trade agreement could further boost trade and investment, creating mutual economic growth and job creation. Additionally, it could strengthen geopolitical ties and enhance strategic cooperation in various sectors, such as defence, technology, and climate change.

Therefore, deepening economic ties with India through a free trade agreement would benefit the UK regarding trade and investment and position it strategically for future economic opportunities in one of the world's fastest-growing economies. Both countries must capitalize on this potential partnership to maximize mutual benefits and contribute to global economic stability. Indian demand for UK specialism sectors is expected to exceed £300 billion between 2019 and 2030, presenting a significant opportunity for UK businesses to expand their market reach and increase exports. By fostering closer economic cooperation through a free trade agreement, both countries can leverage each other's strengths and drive sustainable growth in key sectors such as technology, healthcare, and renewable energy.

The economic case for a UK-India Free Trade Agreement (FTA) is strong, with India projected to become the world's fourth-largest economy by 2030 and the UK looking to strengthen its trade relationships post-Brexit. A comprehensive FTA could also address trade barriers, promote investment, and create jobs in both countries, further enhancing their economic partnership. India is a crucial trade and investment partner for the UK, with a rapidly growing middle-class market estimated to reach 60 million consumers by 2030. The FTA could also facilitate the exchange of expertise and innovation between the two countries, particularly in sectors where India excels, such as information technology and pharmaceuticals. This partnership has the potential to drive economic growth, increase competitiveness, and foster collaboration in emerging industries.

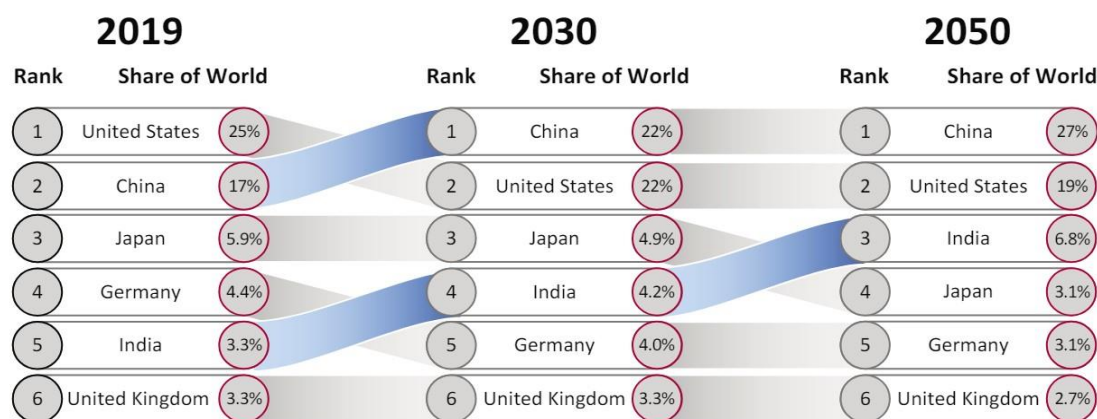
An FTA with India could support jobs across the UK, with exports to India estimated to have supported around 63,000 UK jobs in 2016. Furthermore, increased trade with India could also lead to lower prices for consumers in the UK, as competition and innovation from Indian companies drive down costs. This FTA could also pave the way for greater cooperation on environmental and social issues as both countries work together to address common challenges and opportunities. Additionally, a trade agreement with India could open up new markets for UK businesses, allowing them to expand their reach and diversify their customer base. This could lead to increased revenue and business growth for companies in the UK, creating a ripple effect of economic benefits across various sectors.

India's overall demand for imports is expected to reach £1.38 trillion per year by 2035, providing a significant opportunity for UK businesses to tap into a rapidly growing market. By establishing a trade agreement with India, the UK can position itself as a critical player in the global economy and strengthen its trade relationships with one of the world's largest economies. However, trade barriers exist, with India's tariffs on UK exports higher than vice versa and significant regulatory restrictions affecting service trade. A UK-India FTA is expected to reduce these barriers, benefiting UK businesses. UK exports to India were worth £8.5 billion in 2019, making India the 10th largest export destination for the UK outside of the EU. With a free trade agreement, UK businesses can capitalize on India's growing consumer base and diverse market opportunities, boost export figures, and foster innovation and collaboration between the two countries, driving economic growth for both parties. India's exports were worth £14.8 billion in 2019, making India the UK's 5th largest import supplier outside the EU. By eliminating tariffs and streamlining trade processes, the free trade agreement will make it easier for UK businesses to access Indian goods and services. This will enhance consumer choice and affordability in the UK and create new avenues for investment

and partnership between the two nations.

Despite both economies contracting in 2020 due to the pandemic, the long-term growth prospects for the UK and India remain positive. The free trade agreement will be crucial in revitalizing trade between the two countries and boosting economic recovery post-pandemic. By fostering closer economic ties, the UK and India can capitalize on each other's strengths and drive mutual prosperity in the coming years. India's economy grew by an average of 7.0% per year in the decade leading up to 2019, accounting for 6.1% of global growth over the same period. India's economy is expected to continue proliferating, with an average annual growth, more than double the global growth rate expected over the same period. India's middle-class market is a significant growth driver, with nearly 30 million consumers earning over \$12,535 annually in 2019, expected to double to 60 million by 2030. This growing middle class is expected to drive 75% of India's consumer spending by 2030, leading to increased demand for healthcare, education, and premium products. As disposable incomes rise, the demand for quality goods and services is expected to increase, providing opportunities for domestic and international companies looking to tap into the Indian market. Additionally, the government's focus on infrastructure development and ease of doing business initiatives will further support economic growth in India.

Figure 1: Rankings of the world's six largest economies over the next 30 years



4

(A) Salient points of India-UK FTA's

The India-UK Free Trade Agreement (FTA) represents a significant opportunity to deepen economic ties between two of the world's largest and most dynamic economies. As India continues its robust growth trajectory, projected to sustain an average annual growth rate, and

⁴ Source: DIT's Global Trade Outlook, September 2021; rankings are based on nominal GDP expressed in percentage of global nominal GDP at time-varying market exchange rates. Totals may not equal 100% due to rounding.

the UK seeks to enhance its global trade footprint post-Brexit, this FTA aims to capitalize on the complementary strengths of both nations. The agreement promises to reduce trade barriers, boost investment, and foster innovation while promoting a sustainable and resilient economic partnership. By addressing tariffs, enhancing market access, and supporting small and medium-sized enterprises, the FTA is poised to create substantial economic benefits for businesses and consumers alike, paving the way for a more integrated and prosperous future for India and the UK. Salient features of the agreement include –

- **Reduced Barriers to Trade in Goods:** The FTA will facilitate more accessible and cheaper trade for UK exporters, enhancing consumer choice and value in the UK. Eliminating these tariffs would save British companies money and boost the competitiveness of UK products. With India's middle class expected to grow significantly, there will be increased demand for high-quality UK goods. The FTA would also support UK businesses in automotive, agri-food, machinery, and pharmaceutical industries by providing greater legal certainty and access to cheaper parts, benefiting both manufacturers and consumers.
- **Increased Opportunities for UK Services and Investment:** The UK's services exports to India are valued at £3.2 billion, and with India's growing services sector, there is significant potential for collaboration. As the second-largest services exporter globally, the UK can support Indian growth through its financial, creative, digital, professional, and business services. The FTA could further integrate the financial markets of both countries, enhancing trade and stimulating the Indian market by easing cross-border friction and encouraging regulatory alignment.
- **Supporting Innovation and Trade in a Digital Era:** India's digital transformation offers opportunities to the UK's digital sector. With India's aim for a trillion-dollar online economy by 2025 and significant internet penetration, the FTA can foster innovative ventures in emerging tech, AI, and cybersecurity. Strengthening collaboration between the research sectors of both countries will also enhance interdisciplinary research in pharmaceuticals and life sciences, benefiting from Indian students' substantial presence in the UK.
- **More Jobs for UK Workers:** Indian-owned businesses in the UK employ over 95,000 people, with significant employment in the West Midlands, London, and Wales. Indian investments have created 15,000 new jobs in the last three years. The FTA will bolster Indian investment in the UK, creating opportunities and supporting industries

nationwide.

- **Creating Opportunities for Businesses Across the UK:** India's import needs will be worth £1.38 trillion by 2035. Reducing India's high tariff rates through the FTA will lower costs and support thousands of jobs across various sectors in the UK. For example, reducing tariffs on vehicle exports (currently 125%) and beverage exports will significantly benefit Wales and the West Midlands manufacturers.
- **Empowering Small and Medium-Sized Enterprises:** The FTA will benefit UK SMEs, constituting 98% of the 9,900 UK businesses exporting goods to India in 2019. By increasing transparency and reducing costs, the FTA will support the growth of SMEs and businesses across the UK.
- **Promoting a Modern and Sustainable Trade Agenda:** The UK, a leader in climate action, can leverage the FTA to promote environmental protection standards and support India's transition towards renewable energy. With India's plan to install 175 GW of renewable energy capacity by 2022, the expertise of UK companies in this area can offer mutual benefits, strengthening commitments to green energy in both countries.

The agreement aims to achieve several key objectives, reflecting the strategic importance of strengthening economic ties with India, one of the UK's largest and fastest-growing bilateral trading partners. These objectives include promoting trade and investment, boosting UK GDP, maintaining high standards for consumers and workers, and ensuring the agreement benefits the entire UK. The UK government is committed to championing free and fair trade, promoting open competition, and protecting the National Health Service (NHS) throughout the negotiations. This approach underscores the UK's dedication to fostering a robust and mutually beneficial economic relationship with India.

- **Strengthen Economic Ties:** Agree on an FTA with India that bolsters our economic relationship with one of our largest, fastest-growing, and strategically vital bilateral trading partners.
- **Promote Trade and Investment:** Increase trade in goods and services and enhance cross-border investment with India. This will create new opportunities, support jobs and livelihoods, and drive economic growth in both countries. Recognizing that the UK and India have different FTA approaches, we will work together constructively to identify mutually beneficial areas.

- **Boost UK GDP:** Increase UK GDP by opening up opportunities for UK businesses, including small and medium-sized enterprises (SMEs) and investors, and facilitating more excellent choices and lower prices for UK producers and consumers.
- **Maintain High Standards:** Ensure high standards and protections for UK consumers and workers, building on our existing international obligations; this includes not compromising on our high environmental protection, animal welfare, and food standards and maintaining our right to regulate in the public interest.
- **Inclusive Agreement:** Secure an agreement that works for the whole UK, considering the UK's constitutional arrangements and obligations.
- **Promote Fair Competition:** Secure appropriate provisions for open and fair competition between our businesses.
- **Champion Free Trade:** Send a powerful signal to the rest of the world that the UK is an independent trading nation committed to championing free and fair trade, fighting protectionism, and removing trade barriers at every opportunity.
- **Protect the NHS:** “Uphold the government's manifesto commitment that the National Health Service (NHS), its services, and the cost of medicines are not on the table. 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”⁵.

(B) Challenges and Stumbling Blocks in India's FTA Negotiations

India's pursuit of Free Trade Agreements (FTAs) has encountered various challenges, reflecting the complexity of balancing domestic priorities with international trade objectives. These challenges, including policy conflicts and concerns over intellectual property rights (IPR) and agricultural protectionism, have significantly influenced India's FTA negotiations and broader trade strategy.

- **Mistrust and Policy Conflicts:** The government's initial scepticism towards FTAs, alongside policies like Make in India and Atmanirbhar Bharat that emphasize self-reliance, have created conflicts with free trade principles. This mistrust has shaped India's negotiation approach and willingness to commit to trade liberalization.

⁵ *Missing Medicines Coalition Letter on the UK-India Free Trade Agreement & Access to Medicines | Missing Medicine, MISSING MEDICINE | UNITING UK VOICES ON THE GLOBAL RESPONSE*, <https://missingmedicines.org/missing-medicines-coalition-letter-on-the-uk-india-free-trade-agreement-access-to-medicines/> (last visited May 29, 2024).

- **Agricultural Protectionism:** Protecting India's agricultural sector, a crucial part of its economy and social fabric, has been a significant issue in FTA negotiations. The government's efforts to shield Indian farmers from foreign competition have impeded progress in talks with agricultural-exporting countries.
- **Intellectual Property Rights (IPR):** Disputes over IPR, particularly regarding data exclusivity and patents, have repeatedly surfaced in FTA discussions. India's commitment to safeguarding its generic pharmaceutical industry has clashed with trading partners' demands, causing delays and deadlock in negotiations.
- **Human Rights and Democracy:** Clauses related to human rights and democratic freedoms, familiar in FTAs with Western countries, can become contentious. These provisions often address sensitive issues within India's domestic politics and governance.
- **WTO Implications:** Pursuing bilateral and regional trade agreements raises concerns about their impact on the multilateral trading system governed by the WTO. Critics argue that FTAs might undermine the principles of non-discrimination and consensus-based decision-making foundational to the WTO.

Negotiating Free Trade Agreements (FTAs) presents a complex challenge for India, shaped by various factors ranging from domestic policies to global economic dynamics. The government's initial scepticism towards FTAs, marked by the suspension of talks post-2014 and the scrapping of Bilateral Investment Treaties, has created a cautious atmosphere. India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP) further underscored its careful approach to regional trade agreements, contrasting with the ambitions of neighbouring countries. Domestic policies such as Make In India and Atmanirbhar Bharat, aimed at promoting domestic manufacturing and reducing import dependence, conflict with the free trade principles advocated in FTAs. Protectionism in sectors like agriculture concerns Chinese goods flooding the market, and the balancing act of intellectual property rights against broader developmental goals adds complexity. These challenges and broader political and social issues highlight the intricate landscape of FTA negotiations for India, where balancing national interests with global trade dynamics is paramount.

- **Government Scepticism:** The government's initial reluctance towards FTAs, evidenced by suspending talks post-2014 and scrapping Bilateral Investment Treaties, has created a lingering atmosphere of scepticism in subsequent negotiations.
- **RCEP Withdrawal:** India's withdrawal from the Regional Comprehensive Economic

Partnership (RCEP) underscored its cautious stance on regional trade agreements, contrasting with the ambitions of neighbouring countries.

- **Domestic Policies:** Make In India and Atmanirbhar Bharat aim to promote domestic manufacturing and reduce import dependence. However, they conflict with the free trade and open market principles advocated in FTAs.
- **Agricultural Sector Protection:** India's protection of its agricultural sector, often through subsidies and price supports, presents challenges in negotiating FTAs with countries seeking greater market access.
- **Concerns Over Chinese Goods:** The influx of Chinese goods into India has heightened concerns about the need for stringent Rules of Origin clauses in FTAs to prevent market flooding and protect domestic industries.
- **Intellectual Property Rights (IPR):** Pressure to adopt international IPR standards, especially regarding patents and copyrights, remains contentious as India seeks to balance intellectual property protection with broader developmental goals.
- **Political and Social Issues:** FTAs often intersect with sensitive political and social issues, such as democratic freedoms and human rights, complicating negotiations and potentially leading to delays or breakdowns.
- **WTO Bypass:** There is concern that FTAs could undermine the global trade order governed by the WTO as countries pursue bilateral and regional agreements that may conflict with WTO rules and principles.

India's journey towards securing Free Trade Agreements (FTAs) is fraught with significant challenges and complexities. Balancing domestic priorities such as agricultural protectionism and policies promoting self-reliance with the demands of international trade partners requires a nuanced and strategic approach. Intellectual property rights, human rights provisions, and the implications for the WTO further complicate the landscape. Despite these hurdles, the potential economic benefits of FTAs—such as enhanced trade, investment opportunities, and economic growth—make these negotiations critical. As India navigates these challenges, the path forward will involve careful negotiation, policy adjustments, and strategic alignment to ensure that FTAs contribute positively to India's economic ambitions while safeguarding its domestic interests and upholding its global commitments.

(C) Descriptions

This section contains the government's explanation of its policy about the comments raised by

the respondents in the public consultation on trade negotiations with India. Individual policy areas that were raised in the consultation are summarized, including specific key asks, such as that of -

- **Tariffs** – “Consultation responses identified tariffs as a significant barrier to trade with India, with businesses and business associations highlighting concerns across both industrial and agricultural sectors. These responses indicated that tariff liberalization would allow UK businesses, especially SMEs, to grow and expand in India”⁶. “Tariffs are customs duties on imported goods, typically applied on a Most Favoured Nation (MFN) basis, meaning no discrimination in duties applied to goods from any World Trade Organisation member unless there is a preferential trade agreement or unilateral preferences to developing countries in place”⁷. The government shares the respondents' views that reducing or removing Indian tariffs on UK products in both industrial and agricultural sectors can offer great opportunities for UK businesses. The government will seek to reduce or remove tariffs for UK exports in the UK-India FTA, making them more competitive in the Indian market. Similarly, India has indicated its intention in the FTA to seek to reduce or remove UK tariffs on their exports.
- **Rules of Origin (RoO)** - Rules of Origin (RoO) are critical for determining the economic nationality of goods under Free Trade Agreements (FTAs). They ensure that the traders of the parties involved in the agreement enjoy the benefits of tariff reductions. However, the complexity and bureaucratic nature of RoO and administrative processes have been a common concern for businesses. Simplifying these rules and ensuring consistent RoO across various UK trade agreements is a priority. The UK government aims to develop a modern and straightforward RoO that aligns with UK industry requirements and future supply chains and is supported by predictable and low-cost administrative procedures.
- **Customs and Trade Facilitation** - Businesses have highlighted significant challenges related to customs procedures when exporting to India, such as multiple administrative processes, lack of transparency, and reliance on paper-based trading. These issues can cause delays, particularly for perishable goods, and create uncertainty over import tariff

⁶ UK-India-free-trade-agreement-the-UKS-strategic-approach. ..., Department of international trade, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1046839/uk-india-free-trade-agreement-the-uks-strategic-approach.pdf (last visited May 29, 2024).

⁷ Tánaiste Leo Varadkar welcomes the conclusion of the WTO Joint Statement Initiative on Services Domestic Regulation, Department of Enterprise, Trade and Employment - DETE, <https://enterprise.gov.ie/en/news-and-events/department-news/2021/december/02122021a.html> (last visited May 29, 2024).

liabilities. The UK government recognizes the need for efficient, transparent, consistent customs procedures to facilitate trade. Through FTAs, the UK seeks to minimize administrative burdens, reduce customs delays, and ensure predictable customs-related costs, thereby enhancing the ability of businesses, especially SMEs, to trade effectively with India.

- **Trade in Services** - The UK economy is predominantly driven by the services sector, contributing 79% of GDP in 2018. Services exports to India amounted to £3.3 billion in 2020. Opportunities for greater trade liberalization and movement of professionals and students were identified, particularly in financial, professional business, and digital services. Data flows, unequal tax treatment and regulatory cooperation were also highlighted. The UK government aims to secure improved access to Indian services markets for UK businesses, ensuring they can maintain their world-leading position and benefit from the growing Indian services sector.
- **Digital Trade** - Digital trade is a priority for UK businesses, offering potential opportunities through increased cooperation with India. Key issues include protecting source code and trade secrets, recognizing digital signatures, and prohibiting forced technology transfers. Barriers such as data localization requirements and differing data protection standards were also raised. The UK government is committed to addressing these barriers, promoting open digital markets, ensuring data flows, and supporting the digital trading capacity of businesses. This approach aims to expand the range of consumer goods and services and support innovation.
- **Telecommunications** - Stakeholders emphasized the need for fair competition, reasonable licensing fees, and consistent regulatory enforcement in the telecommunications sector in India. Issues such as varying application of rules and high licensing fees were highlighted as market barriers. The UK government recognizes the importance of a thriving telecommunications sector for business and personal communications. It aims to ensure fair, transparent, and non-discriminatory access for UK service providers, promoting market competition and innovation while ensuring regulatory consistency.
- **Technical Barriers to Trade** - Respondents stressed the importance of maintaining the UK's high levels of protection and facilitating regulatory cooperation with India. The FTA should ensure transparency and promote adopting international standards to facilitate trade. The UK government is committed to upholding consumer, worker, and

environmental protections and will not compromise these standards to pursue a trade deal. The focus will be on promoting international standards, regulatory cooperation, and ensuring the safety and quality of products on sale in the UK.

- **Good Regulatory Practice (GRP)** - Streamlining regulatory compliance processes and removing duplicative requirements were identified as essential to reducing non-tariff barriers to trade. Good Regulatory Practice, particularly transparency in the regulatory process, can facilitate market access and improve trade flows. The UK government aims to promote transparent, predictable, and stable regulatory frameworks in the FTA with India. Provisions encouraging regulatory impact assessments, public consultation, and stakeholder engagement will be sought to ensure clear and accessible regulations that support trade.
- **Sanitary and Phytosanitary (SPS) Measures** – “Businesses raised concerns about the complexity of Indian SPS rules and their impact on trade. Simplified procedures and improved information flows were requested to facilitate market access. The UK government is committed to maintaining high standards of food safety and animal and plant health and will not compromise these standards in trade negotiations. The UK seeks to streamline procedures for food exports and enhance cooperation and transparency on SPS measures, helping businesses trade more easily with India while maintaining public confidence in food safety”⁸.
- **Competition, State-owned Enterprises, and Subsidies** - Respondents called for fair and consistent treatment for businesses in the FTA, addressing issues related to competition law, state-owned enterprises, and subsidies. Concerns were raised about specific Indian subsidies and anti-competitive impacts of dominant state-owned enterprises. The UK government aims to promote open and fair competition, address distortive subsidies, and ensure effective competition law enforcement. The distinction between competition and competitiveness will be maintained, ensuring no regression in consumer rights and competition policy commitments.
- **Government Procurement** - Barriers to accessing government procurement markets in India, such as information transparency and local content requirements, were highlighted. Respondents expressed the need for fair and non-discriminatory treatment in procurement processes. The UK government seeks to secure extensive market access

⁸ *Brexit Phase 2 begins – The UK’s approach*, SPICe Spotlight | Solas air SPICe, <https://spice-spotlight.scot/2020/02/04/brexit-phase-2-begins-the-uks-approach/> (last visited May 29, 2024).

to Indian government procurement markets, promoting transparency and competition. Provisions will be sought to ensure fair and open procurement processes, protecting vital public services while creating opportunities for UK businesses.

- **Intellectual Property** - High standards of intellectual property protection were desired in the FTA, with concerns about India's copyright licensing mechanisms and patent processes. Stakeholders called for more robust patent protection, simplified processes, and effective enforcement of IP rights. The UK government aims to build on its global leadership in IP protection, supporting innovation and trade. Provisions will be sought to ensure fair treatment of UK innovative sectors, maintain high copyright protection standards, and promote effective enforcement of IP rights, including cooperation on online IP infringement.
- **Investment** - Legal certainty and transparency for UK investors in India were emphasized as crucial for improving investment confidence. Market access barriers were identified, such as FDI caps and restrictions on control over investments. The UK government recognizes the importance of increasing investment in India and the UK. The FTA represents an opportunity to create clear and transparent investment rules, ensuring fair and non-discriminatory treatment for UK investors. The government aims to address barriers to investment and maintain the UK's right to regulate in the public interest.
- **Innovation** - Respondents highlighted the potential for increased cooperation between the UK and India on innovation and innovative technologies. The UK government aims to support innovation through FTAs, facilitating collaboration and driving forward innovative business across various sectors. The FTA with India represents an opportunity to strengthen the relationship and ensure that trade agreements remain responsive to innovation, promoting the growth of innovative businesses and technologies.
- **Environment and Climate Change** - Stakeholders expressed a strong interest in protecting the UK and the global environment, emphasizing the need for impactful climate and environment chapters in FTAs. They highlighted a desire for UK companies to collaborate with Indian firms on clean/green technologies and for the FTA to drive clean growth without environmental exploitation. There was also a call for improved funding for green projects, though acknowledging this would require changes within India. Organizations aiming to expand business in India stressed the importance

of sustainable supply chains. The UK government is committed to maintaining high environmental standards in trade agreements and promoting clean growth and cooperation in the fight against climate change.

- **Trade Remedies** - Feedback emphasized the importance of the UK's ability to impose anti-dumping, countervailing, and safeguard measures to protect domestic producers from import surges or unfair trading practices. Trade remedies are crucial for restoring a level playing field while minimizing harm to downstream users or consumers. The provisions of the UK-India FTA will support market access, uphold WTO commitments, and prioritize transparency, efficiency, impartiality, and proportionality.
- **Dispute Settlement** - Stakeholders highlighted the need for an effective dispute settlement mechanism with a robust panel process, ensuring adequate access to remedies. A bilateral dispute settlement mechanism capable of resolving disagreements concerning goods, tariffs, and procurement was also deemed significant. The UK government aims to establish a state-to-state dispute settlement with robust mechanisms that promote compliance, ensuring consistent, fair, cost-effective, and timely dispute resolution.
- **Small and Medium-sized Enterprises (SME) Policy** - Respondents requested greater government support, streamlined administrative burdens, and reduced 'hidden costs' for SMEs, which often lack resources compared to larger businesses. The UK government aims to use the FTA to benefit SMEs, ensuring reduced barriers to trade and creating new export opportunities while exploring ways to help SMEs take advantage of FTA benefits.
- **Labour Standards** - The consultation highlighted the need to ensure that the labour chapter in the FTA does not weaken or reduce labour law protections. Concerns were raised about potential impacts on workers and businesses, emphasizing the importance of maintaining high standards and working conditions. The UK government is committed to maintaining its high standard of workers' rights and ensuring appropriate mechanisms for the implementation, monitoring, and dispute resolution of labour provisions.

(D) Assessing the potential and analyzing the current status of the FTA

The bilateral trade relationship between the United Kingdom (UK) and India holds immense promise and is characterized by significant growth potential. Projections indicate that the UK's exports to India could increase by £9.2 billion by 2035, driven by the robust expansion of the

Indian economy and its increasing demand for imported goods and services. However, this promising outlook is tempered by several challenges, particularly in goods trade, services, and investment. High tariff rates, regulatory restrictions, and barriers to foreign direct investment in India present hurdles for UK businesses seeking to access the Indian market. Despite these challenges, an FTA between the UK and India emerges as a strategic opportunity to address these issues and enhance bilateral trade relations. This essay explores the complexities and opportunities in the UK-India trade relationship, emphasizing the potential benefits of an FTA in unlocking new avenues for trade and investment between the two nations.

1. Growth Potential: The anticipated growth in the Indian economy presents a promising opportunity for UK exports to India. By 2035, UK exports could increase by £9.2 billion, driven by India's expanding demand for imported goods and services. This growth trajectory signifies a substantial rise in India's overall import market, which is projected to increase by around £0.9 trillion (US\$1.1 trillion) in real terms between 2019 and 2035.

2. Factors Influencing UK Exports to India: The growth of UK exports to India hinges on the evolution of its market share within India's expanding economy. If the UK's share aligns with its expected global market share, exports could increase by £9.2 billion by 2035. Conversely, maintaining the 2019 market share in India could potentially lead to an additional £14 billion in UK exports by 2035.

3. Challenges in Goods Trade: UK exporters need help in goods trade with India despite the growth potential. India's average tariff on UK exports is notably higher than the UK's equivalent tariff on Indian exports. The average tariff for UK exports to India is around 18.7%, representing a significant barrier. Tariff duties on UK products entering the Indian market amounted to £810 million in 2019. Moreover, India's tariff peaks on specific products such as whisky, fresh apples, and vehicles present further hurdles for UK exporters.

4. Challenges in Services and Investment Trade: Besides goods trade challenges, UK service providers encounter significant regulatory restrictions in India. These restrictions affect trade in services, digitally enabled services, and foreign direct investment. Despite services accounting for a substantial portion of the UK's exports to India, regulatory hurdles hinder their operations. India's regulatory environment is more restrictive than the UK's and the OECD's average across various sectors, including accounting, legal services, and rail freight transport.

5. Potential for an FTA to Address Challenges: An FTA between the UK and India could mitigate these challenges by reducing barriers to trade and investment. Such an agreement could enhance market access for UK exporters and improve competitiveness in the Indian

market. By securing improved market access and potentially reducing tariff risks, an FTA could unlock the full potential of the trade relationship between the two countries.

(E) Contentious Negotiation Issues and Potential Solutions in UK-India Free Trade Agreement

1. **Services and Investment:** The UK seeks liberalization in India's highly protected services markets, particularly telecommunications, finance, and legal services. India remains cautious due to powerful domestic lobbies.

Proposed Solution: Significant liberalization of services is essential for a comprehensive FTA. Both countries are large services exporters, which could mitigate the negative impact of liberalization on domestic businesses. The UK's expertise in banking and non-banking services, especially in fintech, can complement India's financial services sector. Strengthening and including the UK-India Tech Partnership in the trade deal could boost innovation and collaboration in emerging technologies.

2. **Temporary Movement:** India seeks simplification in the UK's business and temporary visas for professionals.

Proposed Solution: A reciprocal Young Professional visa scheme has been agreed upon, offering degree-educated young Indians and Britons the right to live and work in each other's countries for up to 2 years. Further easing immigration rules, particularly in the IT and healthcare sectors, could enhance the FTA. Simplifying registration and licensing procedures for Indian medical practitioners in the UK and providing long-term settlement options for Indian professionals under the ICT visa could be beneficial.

3. **Data Policies:** Data protection is a concern for UK firms operating in India due to the absence of GDPR-like protection.

Proposed Solution: India should implement the Digital Personal Data Protection Bill 2022 to enhance data protection standards. Special privileges for UK businesses on overseas data storage could be considered, similar to arrangements for other global companies.

4. **IPR and Medicines:** The leaked IPR chapter of the FTA calls for harmonization of IP regulations, which could affect the provision of affordable generic medicines in India.

Proposed Solution: The UK could permit India to maintain its IP laws on generic medicines, leading to cheaper medicine imports and strengthening supply chains. India, in turn, could secure a patent regime against evergreening by pharmaceutical companies, ensuring more affordable medication for its citizens.

5. **Agriculture:** Agriculture is a sensitive sector in both countries, with the UK being a net agricultural importer.

Proposed Solution: India could reconsider its stance on British imports, especially with a growing middle class willing to spend on higher-value agri-based food products. Compensatory measures, such as establishing a structural fund and aid-for-trade, could mitigate the impact on Indian farmers. Improved transparency and training by Indian Customs to meet SPS standards could facilitate more accessible exports for British firms.

(F) Economic Case for a UK-India FTA

Reducing trade barriers in goods and services, including high tariffs on UK exports to India, could enhance competitiveness and market access. India's expanding consumer base, with an estimated 60 million consumers earning over \$12,535 by 2030, presents significant opportunities for UK businesses. All regions of the UK are anticipated to benefit from the FTA, facilitating entry into India's large import market, which could be worth £1.38 trillion by 2035.

The strong growth expected in the Indian economy is forecasted to significantly increase UK exports to India by £9.2 billion in 2035 in real terms. As India's economy expands, its demand for imported goods and services is expected to grow substantially. DIT projections suggest that the Indian market could grow by around £0.9 trillion (US\$1.1 trillion) in real terms between 2019 and 2035, with overall demand for imports projected to reach £1.38 trillion (US\$1.8 trillion) per year in real terms by 2035, representing a 160% increase compared to 2019. The increase in UK exports to India will depend on various factors, including the compatibility of the UK's sectors of comparative advantage with India's import demand, the extent of external competition, and the degree of India's integration into cross-border supply chains.

However, barriers to trade and investment in the Indian market for UK businesses are increasing. India's simple average tariff applied to UK exports is estimated to be around 18.7%, higher than what India applies to most of its FTA partners. Tariff duties for UK products entering the Indian market amounted to approximately £810 million in 2019. India's applied tariffs have recently increased, particularly affecting UK exports. An FTA with India could help mitigate this risk by securing improved market access and supporting the competitiveness of UK exports in the Indian market.

IV. DISTRIBUTIONAL IMPACTS OF A UK-INDIA FREE TRADE AGREEMENT (FTA)

Distributional impacts of a UK-India Free Trade Agreement (FTA) refer to how the agreement could affect different sectors, regions, businesses, consumers, and workers. Here are some key

points regarding the distributional impacts:

- **Chemicals and Pharmaceuticals:** India is a significant importer of chemicals, including pharmaceutical products, with a market worth £47 billion in 2019. UK exports to India in this sector have increased by 60% since 2010, totalling £43 million in 2019. However, India's tariffs in this sector can reach up to 100%. Reducing these tariffs could benefit UK exporters by making their products more competitive in the Indian market.
- **Transportation Equipment:** India's tariffs on UK exports of transportation equipment, such as aircraft, ships, and railway parts, can reach up to 10%. Reducing these tariffs could lead to increased exports from the UK to India in this sector.
- **Vehicles and Vehicle Parts:** Tariffs imposed by India on UK exports of vehicles and parts average 59%, with some tariffs reaching 125%. Lowering these tariffs could make UK vehicles and parts more competitive in the Indian market, potentially leading to increased exports.
- **Whisky:** India's whisky import has quadrupled from £36.5 million in 2010 to £168 million in 2020. The UK is a competitive whisky supplier to India, exporting £110 million in 2019. However, Indian tariffs on whisky are high at 150%. Reducing these tariffs could boost UK whisky exports to India.
- **Textiles and Textile Articles:** The UK imposes tariffs on intermediate textile imports from India, which can be up to 12%. Lowering these tariffs could reduce costs for UK businesses in the textile sector, leading to improved productivity and lower prices for consumers.
- **Supply Chain Linkages:** A significant portion of UK imports from India are intermediate goods, indicating close supply chain linkages between the two countries. Closer integration of supply chains by importing intermediate goods and services could benefit both economies by increasing efficiency and reducing costs.

Overall, a UK-India FTA has the potential to create opportunities for businesses in both countries by reducing trade barriers and increasing market access. However, the extent of these benefits would depend on the specifics of the agreement and the ability of businesses to take advantage of the new trade opportunities.

(A) A Challenge for the national sovereignty

As nations increasingly engage in global trade, free trade agreements (FTAs) have become a

cornerstone of economic diplomacy. These agreements foster economic growth, expand market access, and promote international cooperation. However, amid their benefits, FTAs also raise significant concerns regarding national sovereignty. While the India-UK Free Trade Agreement, like many others, presents opportunities for enhanced trade relations, it also prompts a critical examination of the potential drawbacks that could affect a country's ability to govern itself independently. In this context, exploring how FTAs can encroach upon national sovereignty in various ways is imperative. From limiting policy autonomy to potentially compromising domestic regulations and standards, the implications of these agreements extend far beyond economic considerations. Understanding and addressing these concerns are essential for ensuring that FTAs strike a balance between fostering economic prosperity and safeguarding the sovereignty of participating nations. The India-UK FTA, or any FTA for that matter, can affect national sovereignty in a few ways. Here is a breakdown of how the India-UK FTA might have some drawbacks:

- **Limited Policy Space:** FTAs can restrict a country's ability to set its policies in certain areas. For example, agreements might limit the freedom to set tariffs, subsidies, or regulations in specific sectors. This limits a nation's ability to control its economic direction. It is a crucial concern, especially for developing countries like India. FTAs can restrict the government's ability to implement policies necessary for domestic development or the protection of particular industries.
- **Investor-State Dispute Settlement (ISDS):** Some FTAs include ISDS provisions, which allow foreign companies to sue governments in international tribunals if they believe government policies violate the agreement. This challenges national sovereignty because it empowers foreign entities to bypass domestic legal systems. These mechanisms have been criticized for favouring corporate interests over national policies, and there have been cases where countries have faced significant financial penalties for enacting regulations in the public interest.
- **Regulatory Convergence:** FTAs often encourage harmonization of regulations between trading partners. While this can streamline trade, it might also require India to adapt its regulations to match the UK's standards, potentially impacting domestic priorities or consumer protection measures. While harmonizing regulations can facilitate trade, it can also lead to a "race to the bottom" regarding standards, as countries may be pressured to weaken regulations to align with their trade partners.
- **Job displacement:** Some are concerned that increased competition from UK goods

and services could lead to job losses in specific Indian sectors, particularly those less efficient or competitive. Increased competition from imports can indeed lead to job losses in specific sectors. Governments must take measures to support workers who are negatively affected by trade liberalization.

- **Challenges for small businesses:** The complexity of FTAs, including compliance requirements and navigating new regulations, can be daunting for small and medium-sized enterprises (SMEs). This could limit their ability to participate and benefit from the agreement. SMEs may need help understanding and complying with the complex rules and regulations of FTAs, which could limit their ability to benefit from the agreements.
- **Sunset clauses:** Some FTAs include "sunset clauses" that automatically terminate the agreement after a certain period. This can create uncertainty for businesses that rely on the agreement's provisions for long-term planning. These clauses need more stability for long-term investment.

V. CONCLUSION

In conclusion, while free trade agreements (FTAs) such as the India-UK Free Trade Agreement offer numerous benefits, they also raise significant concerns regarding national sovereignty. These agreements can limit a country's policy space, especially regarding tariffs, subsidies, and regulations. Including investor-state dispute settlement (ISDS) mechanisms can empower foreign entities to challenge domestic policies, potentially undermining national sovereignty. Regulatory convergence requirements may force countries to align their standards with their trading partners, potentially compromising domestic priorities and consumer protection measures. Job displacement, unequal benefits for different sectors, and environmental impact are crucial concerns that FTA negotiations must address. Data privacy issues, challenges for small businesses, and the inclusion of sunset clauses that create uncertainty for long-term planning are essential considerations. To mitigate these drawbacks, governments must negotiate FTAs that protect national sovereignty while promoting economic growth and development. This requires careful consideration of the implications of each provision and active engagement with stakeholders to ensure that the agreement benefits all segments of society.
