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INDIA-UK Free Trade Agreement

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Why in News

Recently, India and the United Kingdom (UK) affirmed their shared commitment towards a **Free Trade Agreement (FTA)** during the 14th virtual **Joint Economic and Trade Committee (JETCO) meeting**.

The next meeting is scheduled to be held around September, 2020 in New Delhi to carry forward the dialogue.



Key Points

- **Description:** The meeting was held by India and UK to revive and revitalise the long standing trade and economic linkages between them.
 - They agreed to an **early harvest scheme or a limited trade agreement** to lower tariffs on a small set of goods apart from easing rules for select services.
 - They also resolved to cooperate in the health sector especially in the wake of **Covid-19 pandemic**.
 - Previously, India and the UK were involved in discussing a **preferential trading arrangement** under the proposed **India-European Union FTA**.
 - In FTA, two trading partners eliminate or significantly reduce import duties on the maximum number of goods traded between them.
- **India-UK Trade:** India has had strong historical ties with the U.K. and currently, it is one of India's most important trading partners.
 - It is a significant partner of India as an **FDI investor after Mauritius and Singapore** which ranked second and first respectively.
 - Similarly, the U.K. is one of the **largest investors in India**, among the **G20 countries**.
 - The bilateral trade between the two countries stood at **15.5 billion USD** in 2019-20 as against 16.87 USD billion in 2018-19.
 - India has engagement with the UK in sectors like pharma, textiles, leather, industrial machinery, furniture, and toys.
 - India is also looking to the UK to support it with technology based products such as high quality cameras, medical devices, and automobiles.
- **Significance:**

Brexit: The UK has been pushing India for a bilateral trading arrangement ever since it voted to **leave the European Union** (EU) in June 2016 and **left finally in January 2020**.

 - However, India had been resisting these efforts as it decided that the **Brexit** process should complete first.
 - India has been keen to understand how much of a "**special and preferential**" access the UK will get in the vast European market when it is out of the EU's single-market dynamics.
 - Hence, these talks would help in intensifying the beneficial aspect of the UK as a trading partner of India.
- **Exit from RCEP:** India opted out of the **Regional Comprehensive Economic Partnership deal** in November 2019.

Therefore, there is renewed focus on trade deals with the US, the European Union and the UK, which are key markets for Indian exporters and are keen to diversify their sourcing.

- **Strategic Partner:** The UK is a permanent member of the UN Security Council, and one of the **strategic partners of India**.
Strengthening bonds with the trade would seek UKs support at global issues like **standoff with China** in the Ladakh sector of the Line of Actual Control (LAC) and **claim for permanent seat at UNSC**.
- **Review of Trades:** India could seek a review of trading agreements including renegotiating tariffs on some items along with the tightening of provisions governing **country-of-origin certification**.

Joint Economic Trade Committee

- **JETCO** provides a **forum to United Kingdom companies to enhance** their links and develop new partnerships with India business and decision-makers.
- Government to Government negotiations, which address issues of market liberalization and market access, are conducted through the JETCO process.
- The **UK India Business Council** plays a key role in feeding the views of the UK business community into the JETCO process with a view to achieving favorable outcomes for UK companies.
- One of the key objectives of the JETCO process is to unveil opportunities for UK's most prominent institutional investors to invest in India.

Way Forward

- India is one of the fastest growing large economies of the world and FTA with the UK has played a significant role in enhancing the trade volume of the country.
- However, according to policymakers, **FTAs signed by India with the UK have not brought** the expected tangible benefits and, on the contrary, have hurt the country's manufacturing sector due to liberal rules of origin.
- Therefore, there is a need for a **detailed assessment of FTAs in terms of goods, services and investment flows** by all the stakeholders involved.

Source: PIB