



# INDIA-UK Free Trade Agreement

## Why in News

Recently, India and the United Kingdom (UK) affirmed their shared commitment towards a **Free Trade Agreement (FTA)** during the 14<sup>th</sup> 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 UK's 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**

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