



## India-UK Free Trade Agreement Negotiations

**For Prelims:** India-UK Free Trade Agreement Negotiations, [India-UK Free Trade Agreement \(FTA\)](#), [European Free Trade Association \(EFTA\)](#), [Intellectual Property Rights \(IPR\)](#).

**For Mains:** India-UK Free Trade Agreement Negotiations.

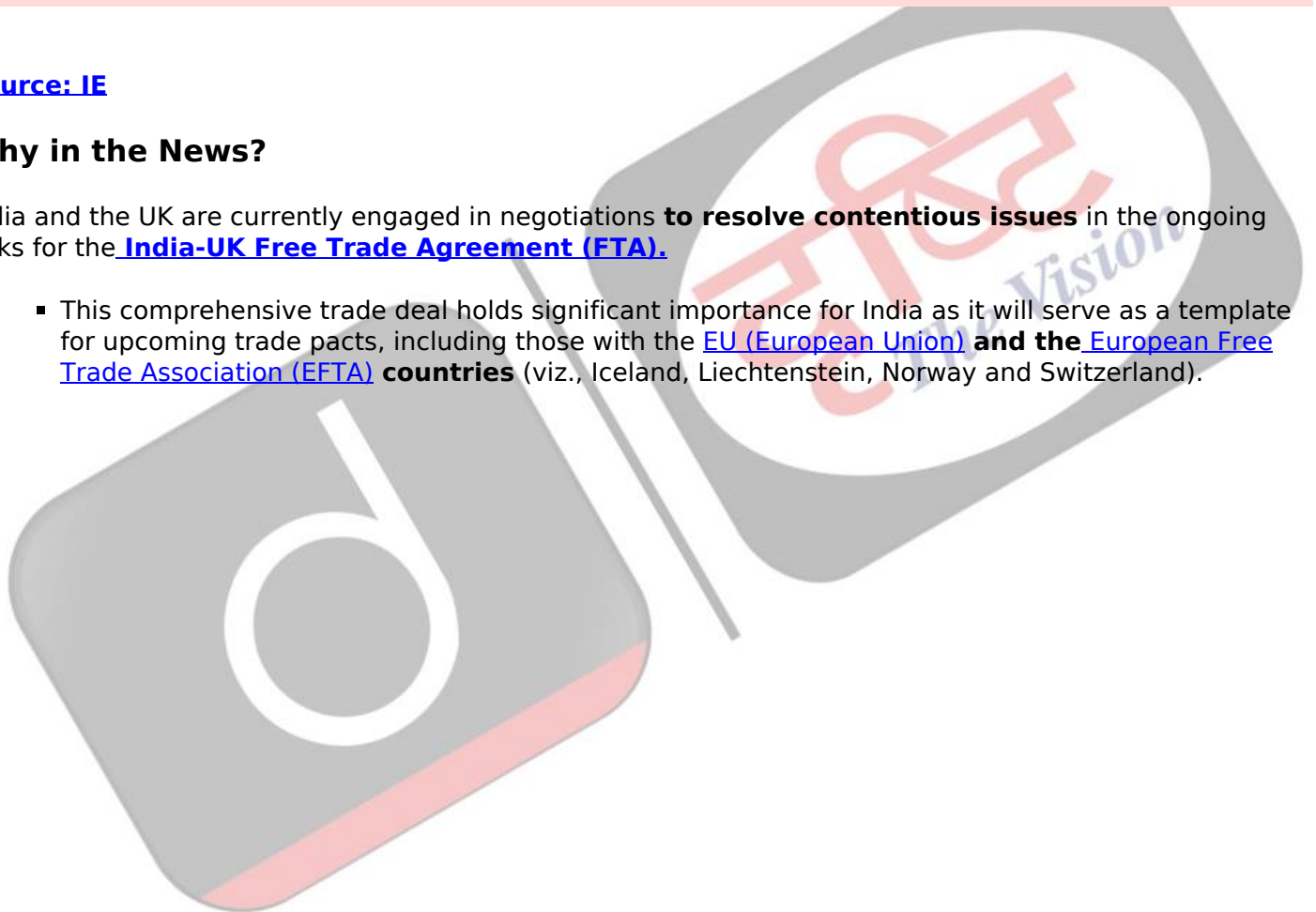
**Source:** [IE](#)

### Why in the News?

India and the UK are currently engaged in negotiations **to resolve contentious issues** in the ongoing talks for the [India-UK Free Trade Agreement \(FTA\)](#).

- This comprehensive trade deal holds significant importance for India as it will serve as a template for upcoming trade pacts, including those with the [EU \(European Union\)](#) and the [European Free Trade Association \(EFTA\)](#) countries (viz., Iceland, Liechtenstein, Norway and Switzerland).

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## What are the Contentious Issues under the Negotiations?

- **Intellectual Property Rights:** In [Intellectual Property Rights \(IPR\)](#), India does not want to compromise on the production of life-saving generics.
- **Global Value Chains (GVC):** Discussions are underway to address the **complexities associated with global value chains** and ensure favorable outcomes for India.
- **Digital Trade:** In the area of digital trade and data protection, India is yet to firm up **its own domestic laws** and hence doesn't want to take on commitments.
- **Rules of Origin (ROO):** ROO, which determines the **national source of a product**, has been a contentious issue in the FTA talks.
  - These are important in trade negotiations since countries **levy duties or impose restrictions on products based on the source of imports**.
    - India **wants to have strict rules of origin** in place to ensure that third countries do not take unfair advantage of the FTA.
- **Labour and Environment:** Labour and environmental commitments are being taken for **the first time** and they have to be done in a manner which is not unfavorable to India.
  - India has unilaterally made tremendous progress and does not **want additional conditions**.
  - The UK, on the other hand, **wants more stringent IPRs, free cross-border data flow and rules against data localisation, liberal ROOs** and commitments in the areas of labour and environment,

## What is the Background of India-UK Free Trade Agreement?

- In 2022, India and the UK had launched the formal [Free Trade Agreement \(FTA\) negotiations](#). Until then, both countries are contemplating an interim free trade area, which will result in

reducing tariffs on most of the items.

- Both countries 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.
- Further, they agreed to avoid **“sensitive issues”** and focus on areas where there is more complementarity.
- The agriculture and dairy sectors are considered sensitive sectors for India in trade talks.
- Also, a target of doubling the trade between India and the **United Kingdom (UK) by 2030 was also set.**

## What is a Free Trade Agreement?

- It is a pact between **two or more nations to reduce barriers to imports** and exports among them.
- Under a free trade policy, **goods and services can be bought and sold** across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.
- The concept of free trade is the **opposite of trade protectionism or economic isolationism.**
- FTAs can be categorized as Preferential Trade Agreement, [Comprehensive Economic Cooperation Agreement](#), [Comprehensive Economic Partnership Agreement \(CEPA\)](#).

## How has Been India-UK Trade Relations?

- The trade between India and the UK had “more than doubled” between 2007 and 2019.
- By the end of 2022, India was the **UK’s twelfth largest trading partner.** This accounted for 2.0% of the UK’s total trade.
- **For goods**, India was the **UK’s thirteenth largest trading partner** and for services it was the **tenth largest.**
- In 2022-23, India-UK bilateral trade had increased 16% to USD 20.36 billion

## What can be the Significance of FTA between India & the UK?

- **Increasing Exports of Goods:** Trade deals with the UK can boost **exports for large job-creating sectors such as [textiles](#)**, leather goods, and footwear.
  - India is also expected to register a quantum jump in the export of Marine Products through the recognition of 56 marine units of India.
- **Clarity on Services Trade:** The FTA is expected to **provide certainty, predictability and transparency** and will create a more liberal, facilitative and competitive services regime.
  - There is also great potential for increasing exports in service sectors like IT/ITES, Nursing, education, healthcare, **including [AYUSH](#)** and audio-visual services.
- **Exit from RCEP:** India opted out of the **[Regional Comprehensive Economic Partnership deal](#)** in November 2019.
  - Therefore, there is a 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 Advantage:** 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.](#)**

## Way Forward

- The ongoing negotiations for the India-UK Free Trade Agreement hold significant importance for India's trade relations.
- The focus is on addressing **contentious issues such as intellectual property rights**, global

value chains, digital trade, and rules of origin.

- The cautious approach and slow pace of negotiations reflect India's commitment to **securing a comprehensive deal** while protecting its interests.
- The outcome of these negotiations will shape **India's future trade agreements**, making it a matter of careful consideration and strategic decision-making.

## UPSC Civil Services Examination Previous Year's Question (PYQs)

### Prelims

**Q. Consider the following countries: (2018)**

1. Australia
2. Canada
3. China
4. India
5. Japan
6. USA

**Which of the above are among the 'free-trade partners' of ASEAN?**

- (a) 1, 2, 4 and 5  
(b) 3, 4, 5 and 6  
(c) 1, 3, 4 and 5  
(d) 2, 3, 4 and 6

**Ans: (c)**

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