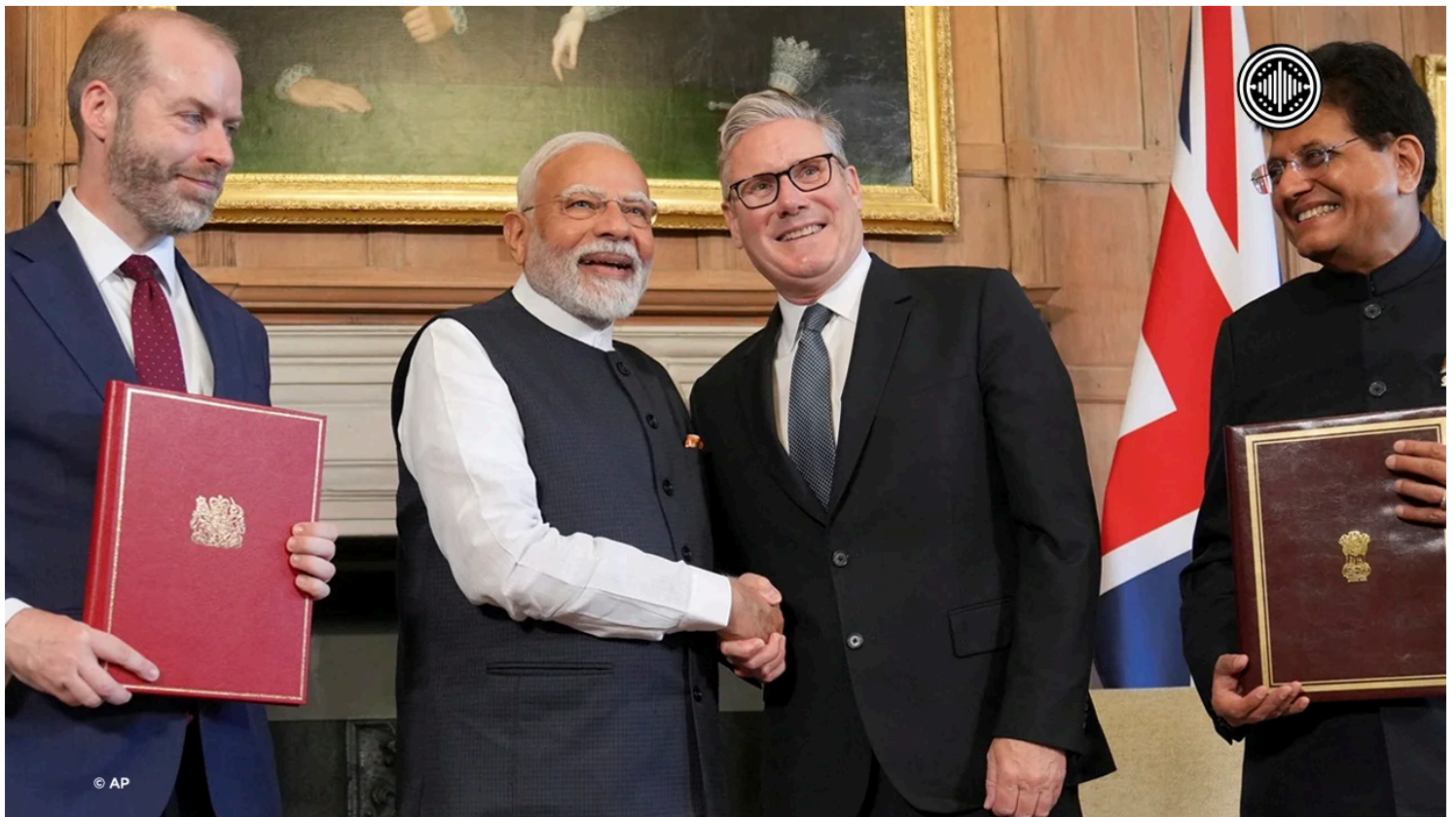


India-UK Trade Deal Sets Stage for US Negotiations

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India and the United Kingdom officially signed their free trade agreement on July 24, 2025, marking a significant milestone in India's post-Brexit trade strategy. This deal, described by some as a cornerstone of Britain's independent trade policy, holds significant implications for India's ongoing negotiations with the United States, where an interim trade deal is being rushed to beat an August 1 deadline. The India-UK pact offers a blueprint for balancing

market access with domestic protections, a strategy New Delhi is likely to replicate in its talks with Washington.

After more than three years of negotiations, the India–UK FTA eliminates tariffs on approximately 99% of Indian exports to the UK and reduces tariffs on around 90% of UK exports to India, including whisky and cars. Tariffs on Scotch whisky and gin will fall from 150% to 75% immediately and further to 40% over ten years, benefiting British distillers significantly. Duties on British cars will reduce from over 100% to 10% under a phased quota system, with quotas beginning at around 5,000 units and scaling up over time. India has carefully structured these concessions to favor high-end internal combustion engine (ICE) vehicles and premium electric vehicles (EVs), shielding its mid- and low-range automotive sectors.

The agreement includes a Double Contribution Convention allowing Indian and UK workers on temporary assignments to pay social security contributions only in their home country for up to three years. While India hailed this as a “huge win,” it has sparked controversy in the UK, with critics like Conservative leader Kemi Badenoch labeling it a “two-tier tax” system that disadvantages British workers. The current Labour government’s handling of this provision has drawn scrutiny, with some arguing it prioritizes foreign interests over domestic ones.

For India, the UK deal is a strategic victory, boosting access to a key market while protecting sensitive sectors like agriculture. Dairy, apples, walnuts, and certain seeds were excluded from tariff concessions, reflecting India’s firm stance on safeguarding its farmers. This approach is already shaping India’s negotiations with the US, where agriculture remains a sticking point. The US has pushed for market access for genetically modified crops like soy and corn, but the Indian Coordination Committee of Farmers Movements has urged the government to exclude agriculture entirely to protect local interests.

The US talks, described as rushed, aim to secure an interim deal to avoid tariffs of up to 26% on Indian goods. Posts on X suggest optimism about a potential agreement, with some indicating tariffs could be lowered to 10–15%, aligning with offers made to the UK and Japan. However, a higher tariff closer to 20%, as offered to Vietnam, would erode India’s competitive edge, particularly given its reliance on imported inputs from countries like China in sectors such as pharmaceuticals and electronics. A transshipment clause, like the one imposed on Vietnam, could further complicate India’s export strategy.

India's textile industry, a labor-intensive powerhouse, stands to gain significantly from the UK deal. With tariffs dropping from 9% to zero, India could challenge China, Bangladesh, and Turkey for a larger share of the UK's textile market, where it currently holds just over 6%. This focus on labor-intensive sectors is likely to be a priority in US negotiations, where India will push for similar market access to bolster its export-driven growth.

The UK deal also highlights India's pragmatic approach to imports. By lowering duties on British medical devices and aerospace parts, India addresses weaknesses in its domestic supply chain, a move that could benefit its industries. However, the limited concessions on professional mobility, such as a modest quota for Indian chefs, musicians, and yoga instructors, suggest the UK remains cautious on services, a pattern that may repeat in US talks given similar sensitivities around immigration.

As India navigates its US negotiations, the UK deal offers valuable lessons. A tariff range of 10-15% would position India favorably against Asian competitors, but New Delhi must remain vigilant about sectoral tariffs, such as the 50% levies on steel and aluminum, which already strain its US exports. In a recent interview with Reuters, India's Commerce Minister Piyush Goyal emphasized the need for balanced agreements, stating, "We respect each other's sensitivities, so contentious issues don't derail progress." This approach will be critical as India seeks to diversify its export markets amid global trade tensions, particularly with the US imposing steep tariffs on BRICS nations over Russian oil purchases.

The India-UK FTA, while a milestone, is just one piece of India's broader trade strategy. With negotiations ongoing with the EU and a potential US deal on the horizon, New Delhi is positioning itself as a global trade powerhouse, balancing economic openness with strategic protections.