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India-UK Free Trade Agreement Signed During Modi's Visit to Bolster Economic Ties

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On Thursday, 24 July 2025, Indian Prime Minister Narendra Modi met with UK Prime Minister Keir Starmer at Chequers to formalise a long-negotiated Free Trade Agreement (FTA) between India and the United Kingdom. The deal, finalised after three years of discussions, is poised to reshape economic relations between the two nations, with projections estimating a £4.8 billion annual boost to UK GDP and a 39% increase in bilateral trade by 2040. While the agreement promises significant economic benefits.

The FTA slashes tariffs on a wide range of goods, with India reducing duties on 90% of British product lines, 85% of which will become tariff-free within a decade. Notably, tariffs on British whisky and gin will halve from 150% to 75% immediately, dropping further to 40% by 2035, giving UK producers a competitive edge in India's lucrative market. Automotive tariffs will fall from over 100% to 10% under a quota system, benefiting manufacturers like Jaguar Land Rover. Other sectors, including aerospace, medical devices, and electrical machinery, will see tariffs reduced to zero or near-zero, facilitating easier market access.

For British consumers, the deal liberalises tariffs on Indian imports, such as textiles, leather goods, and agricultural products, potentially lowering prices for clothes, shoes, and food items like frozen prawns. The UK Department for Business and Trade (DBT) estimates that these tariff cuts will save businesses over £400 million initially, doubling to £900 million after ten years. Indian exporters, meanwhile, gain zero-duty access for 99% of their products, boosting sectors like engineering goods, auto components, and gems and jewellery.

In a statement, UK Business and Trade Secretary Jonathan Reynolds claimed, "The billions brought to our economy from the trade deal signed today will reach all regions and nations of the UK so working people in every community can feel the benefits." However, the Labour government's enthusiasm for the deal has sparked debate, particularly over a controversial provision exempting Indian workers temporarily seconded to the UK from National Insurance contributions for three years. Critics, including Conservative leader Kemi Badenoch, have labelled this a "two-tier tax system," arguing it disadvantages British workers and businesses.

The agreement also opens India's vast public procurement market to UK firms, particularly in clean energy, as India transitions to renewables. British financial and professional services will benefit from locked-in market access, with India committing to treat UK insurance firms on par with domestic suppliers. Additionally, 26 British companies, including Airbus and Rolls-Royce, have secured new contracts in India, with Airbus set to deliver aircraft powered by Rolls-Royce engines.

Beyond trade, Modi and Starmer signed a renewed Comprehensive and Strategic Partnership, deepening cooperation in defence, education, climate, technology, and innovation. Both nations also pledged to combat corruption, fraud, organised crime, and irregular migration through enhanced intelligence sharing. However, the FTA's failure to address India's concerns over the UK's Carbon Border Adjustment Mechanism, set to tax

carbon-intensive imports from 2027, remains a point of contention, with negotiations ongoing.

While the deal is hailed as a post-Brexit triumph, its success hinges on parliamentary ratification and India's Union Cabinet approval, a process that could take up to a year. For British businesses and consumers, the FTA offers tangible opportunities, but the Labour government's handling of its complexities, particularly tax exemptions and regulatory trade-offs, will demand careful oversight to ensure promised benefits materialise without unintended consequences.