

## India-UK CETA Opens £18-Billion Trade Pathway, Boosts MSME Exports

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On 24 July 2025, India and the United Kingdom signed the Comprehensive Economic and Trade Agreement (CETA) in London, marking one of India's most expansive trade pacts to date. Signed by India's Commerce Minister Piyush Goyal and UK Trade Secretary Jonathan Reynolds, with Prime Ministers Narendra Modi and Keir Starmer in attendance, this deal is India's 15th trade agreement and one of its broadest, encompassing 99 per cent of tariff lines and covering nearly the entire trade value with the UK. Covering around 26 chapters

spanning goods, services, digital trade, intellectual property and public procurement, the agreement is expected to enter into force within six to twelve months once ratified by the UK Parliament and India's federal cabinet.

This landmark agreement eliminates tariffs on a broad range of goods, opens public procurement markets, and is poised to significantly enhance exports, particularly for India's micro, small, and medium enterprises (MSMEs). Industry leaders project that the deal will deepen economic ties, fostering a trade corridor worth £18 billion, with a strong focus on labour-intensive sectors.

The CETA delivers sweeping tariff reductions, transforming the trade landscape. In fiscal year 2024–25, India exported approximately \$14.5 billion in goods to the UK, including around \$6.5 billion of labour-intensive items such as textiles, footwear, carpets, automobiles, seafood, and fresh fruit, which previously faced tariffs of 4–16 per cent. These goods will now enter the UK duty-free. The remaining export value covering products like petroleum, pharmaceuticals, diamonds and aircraft components was already duty-free before this agreement. The UK will offer duty-free access to nearly all Indian goods, with limited exceptions for sensitive agricultural items such as rice and a small number of other products.

India has agreed to eliminate tariffs on approximately 90 per cent of UK exports, including immediate cuts on items like salmon, lamb, aircraft parts, machinery and electronics, with phased reductions over a decade on goods such as chocolates and cosmetics. Phased reductions over a decade will apply to items like chocolates, soft drinks, cosmetics, and auto parts. In particular, duties on Scotch whisky (and gin) will be halved from 150 per cent to approximately 75 per cent in the first year and further reduced to 40 per cent over ten years. Sensitive Indian products, such as apples, walnuts, and certain cheeses, remain protected.

“This agreement's tariff concessions are a game-changer for our £18-billion trade relationship,” said Ajay Srivastava, founder of the Global Trade Research Initiative (GTRI), in an interview with ET Online. He cautioned, however, that India's decision to open 40,000 high-value government contracts to UK suppliers via the Central Public Procurement Portal (CPPP) and Government e-Marketplace (GeM) could limit domestic capacity-building. “This move may weaken India's leverage in future trade talks with larger economies like the EU or the US,” Srivastava noted.

The Federation of Indian Micro and Small & Medium Enterprises (FISME) described the CETA as historic. “For the first time, Indian MSMEs gain zero-duty access to a major Western market where tariffs previously eroded competitiveness,” said Anil Bhardwaj, FISME’s Secretary General. Labour-intensive sectors like marine products, leather footwear, textiles, processed foods, electrical machinery, chemicals, and jewellery, previously hit with duties up to 70% stand to benefit immensely. Bhardwaj added that access to UK government tenders will further empower Indian MSMEs to compete globally.

The engineering sector, a cornerstone of India’s exports, also welcomed the deal. “The UK is our sixth-largest market, yet our engineering exports, at £3.4 billion, represent just 2.2% of the UK’s £154-billion engineering imports,” said Pankaj Chadda, Chairman of the Engineering Export Promotion Council of India (EEPC). “With duty-free access, we project exports could reach £6 billion by 2029–30, driven by high-growth segments like electric machinery and auto components.” Notably, 60% of EEPC members are MSMEs, amplifying the deal’s impact.

India’s £20-billion footwear and leather industry, a labour-intensive powerhouse, sees the CETA as a catalyst for growth. “The UK is a key market, and this agreement enhances our competitiveness,” said Puran Dawar, Regional Chairman of the Council for Leather Exports. With exports currently at £4.6 billion, the sector aims to hit £11.2 billion by 2030, expanding into sports shoes, sneakers, and safety footwear while attracting investment from countries like Taiwan.

The chemical industry, facing moderate 8% tariffs, now enjoys duty-free access. “The onus is on Indian firms to seize this opportunity through rigorous market research to counter competition, including predatory pricing from other exporters,” said Rajat Mehra, Co-convenor of the CII UP MSME Panel and Director at Rajat Chemicals Industry.

Home textiles, another MSME-dominated sector, also stands to gain. “We previously faced an 8–10% tariff disadvantage compared to Pakistan and Bangladesh,” said Vikas Singh Chauhan, Director of the Home Textile Exporters Welfare Association (HEWA). “With tariffs eliminated, we expect a 10% rise in exports, particularly in bedding and décor, creating up to 500,000 jobs over five years.”

“This agreement underscores India’s ability to secure comprehensive trade deals amid global uncertainty,” said Anurag Sehgal, Principal at Price Waterhouse & Co LLP. He highlighted its potential to double India’s £750-million market in textiles, leather, marine

products, toys, and jewellery within three years. Additionally, mutual recognition of professional qualifications and reduced barriers in financial and IT services will enable smaller Indian firms to scale globally.

While the Labour administration has welcomed the deal, commentators note wider economic policies may face separate scrutiny unrelated to the trade agreement itself. The CETA, however, positions India as a formidable player in global trade, setting a precedent for future agreements, particularly with the EU. For Indian MSMEs, this deal is not just a trade pact; it's a gateway to unprecedented growth and global competitiveness.