India-UK Free Trade Agreement

Prelims: *Economic Development | Current events of national and international importance*

Why in News?

India and United Kingdom have announced the successful conclusion of a mutually beneficial India – UK Free Trade Agreement (FTA) along with a Double Contribution Convention.

Free Trade Agreements (FTAs)
• **FTAs** – They are arrangements between two or more countries or trading blocks that primarily agree to *reduce or eliminate customs tariff and non-tariff barriers* on substantial trade between them. • **Coverage** – It normally covers trade in goods or trade in services. - **Trade in goods** – Agricultural or industrial - **Trade in services** – Banking, construction, trading, etc., • It can also cover other areas such as intellectual property rights (IPRs), investments, government procurement and competition policy, etc.,



- **Need** - Indian textile exports face tariffs walls as high as 10% in the UK while British exports to India such as cars, Scotch whisky, and wines, face considerable tariffs of 100-150%.
- **Highlights of India-UK FTAs** – *Export opportunities for labor-intensive sectors* will increase.
- 99% Indian exports to benefit from zero duty in U.K. market.
- *Indian import duty will be slashed*, locking in reductions on 90% of tariff lines, 85% of these becoming fully tariff-free within a decade.
    - **India's tariff reduction** – Whisky, medical devices, advanced machinery, and lamb.
    - **Reduced import duties for Indian consumers** – Cosmetics, aerospace, lamb, medical devices, salmon, electrical machinery, soft drinks, chocolate and biscuits.
    - **Products with cheaper prices for British shoppers** – clothes, footwear, and food products including frozen prawns.
- Automotive tariffs will go from over 100% to 10% under a quota.
- **Significance** - It will further deepen our Comprehensive Strategic Partnership, and *catalyse trade, investment, growth, job creation, and innovation* in both our

economies.

- It will *benefit Indian farmers, fishermen, workers, MSMEs, startups and innovators*.
- It is aligned with *India's vision of Viksit Bharat 2047* and complements the growth aspirations of both the countries.
- It will serve as a template for an agreement with India's 2nd largest trade partner, the European Union (EU).

Double Contribution Convention

- It is the exemption for Indian workers who are temporarily in the UK and their employers from paying social security contributions in the UK ***for a period of three years.***
- It will lead to significant *financial gains for the Indian service providers* and enhance their competitiveness in the UK market.
- It would *create new job opportunities* as well as benefit large number of Indians working in the UK.

References

1. PIB| Conclusion of India-UK Free Trade Agreement
2. The Hindu| Highlights of India- UK FTAs

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