India-UK FTA

Why in news?

India and the UK are negotiating a Free Trade Agreement (FTA) that will reduce tariffs and non-tariff barriers on goods and services.

What is a Free Trade Agreement?

- It is a pact between two or more countries that reduces or eliminates certain barriers to trade in goods and services, as well as investment.



- **Goal-** To facilitate cross-border transactions, increase investment prospects, promote mutual trade, and improve the ease of business.
- **Bilateral FTAs-** India has bilateral FTAs with Sri Lanka, Afghanistan, Bhutan, Japan, Thailand, Singapore, Nepal, Korea, Malaysia, etc.
- **Regional FTAs-**
    - South Asian Free Trade Agreement (SAFTA)- 2004
    - India-ASEAN Agreement- 2010

India-UK Free Trade Agreement (FTA)
• It is a proposed bilateral trade deal that aims to boost the economic ties between the two countries. • **Coverage-** 26 chapters including goods, services, investment, intellectual property rights, rules of origin and dispute settlement. • **Roadmap 2030 with India-** Launched by UK in 2021 and FTA is a part of this initiative. • It outlines a vision for a transformational relationship between the two countries in the areas of trade, defence, security, climate change, health, and education. To know more about the lessons to be learnt from UK on FTA, click here

What are the benefits of India-UK FTA?

For India

- **Future collaboration-** It will serve as a template for an agreement with European Union, India's 2nd largest trade partner.
- **Diversify trade-** It will help India to diversify its trade partners and counter China's influence in the region.
- **Investment destination**- It will be India's 1st comprehensive deal with an industrialized nation, and will help India attract foreign investment and enhance its market access.
- **Potential sectors-** It will benefit sectors such as textiles, gems and jewellery, cars, Scotch whisky and wines by lowering tariffs and increasing market access.

- **Address non-tariff barriers**- FTA deals with standards, regulations and custom procedures that often hamper trade flows.
- **Global trade**- FTA will complement India's other trade agreements, such as the ones with the UAE, Australia, and Israel, and will help India integrate with the global value chain.
- **Bilateral ties**- FTA will strengthen the strategic partnership between the two countries, which share common values and interests.

For UK

- **Boost exports-** UK wants to compensate for the loss of access to the European Single Market after Brexit and boost its exports to India.
- **Access to India's market**- It will gain access to India's large and growing consumer market, as well as its skilled workforce and innovation potential.

What are the challenges with the India-UK FTA?

- **Strict regulations**- Sectors such as agriculture, manufacturing face strict standards and technical requirements in UK market.
- **Affect LDCs**- The FTA will affect the Least Developed Countries (LDCs) such as Bangladesh, which currently enjoy preferential access to the UK market.
- **Issues with GI tag**- India normally provides general protection for violation of Geographical Indication rules, but the UK is seeking a higher level of protection.
- The enhanced protection prohibits the use of a GI if the product does not genuinely originate from the designated area, regardless of whether the public is misled or the true origin is specified.
- **Carbon border tax**- UK's possible tax on imports of high-carbon goods like steel as it mimics the European Union's carbon border adjustment mechanism (CBAM) would affect India's exports.
- **Rules of origin-** It is getting increasingly difficult as the present-day manufacturing is progressively integrated with global supply chains in a much more complex manner than ever before.
- **Non trade issues-** Issues such as labour, sustainability, climate change, emission etc., are indeed complex and offers formidable challenges for Indian negotiators to agree with.

What lies ahead?

- As FTAs are based on mutual benefits, India should negotiate firmly for the UK to offer similar elevated GI protection to Indian products.
- There need to be a more balanced and reciprocal trade relationship, potentially opening new markets and enhancing the global standing of Indian products.

References

1. Indian Express- Proposed India UK FTA
2. Economic Times- UK seeks higher protection for its agri GI tag



SHANKAR
IAS PARLIAMENT
Information is Empowering