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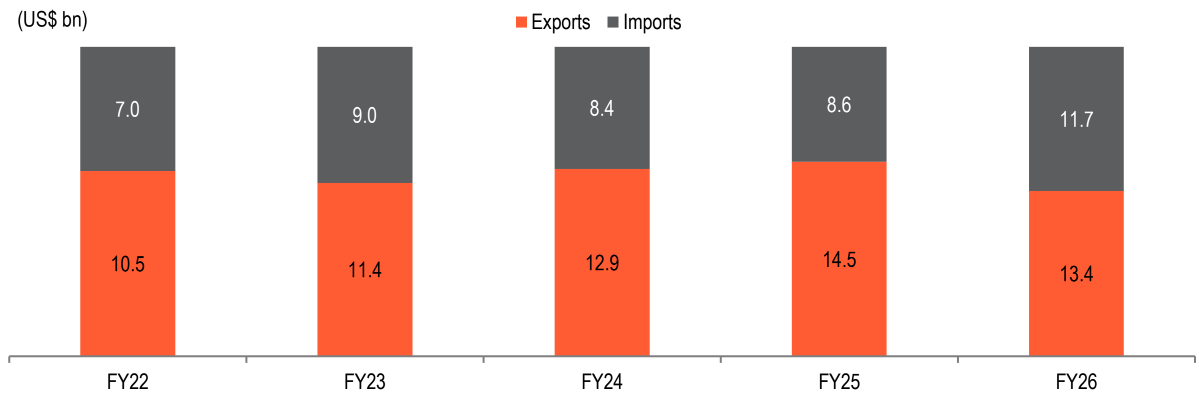
India-UK FTA

The historic India-UK Comprehensive Economic and Trade Agreement (CETA) came into force on 15 Jul 2026. The comprehensive agreement, which was signed roughly a year ago, covers both goods and services trade between India and UK. As per the terms of the agreement, around 99% of India's exports to the UK will now attract 0% tariff, providing a huge boost to exports. At the same time, India has also pledged to reduce tariffs on 90% tariff lines for UK's exports. The agreement is expected to boost bilateral ties between the two countries and provide a huge impetus to trade.

India-UK trade relations

Bilateral trade between India and UK has increased steadily over the last 5 years. From US$ 17.5bn in FY22, bilateral trade has increased to US$ 25.1bn by FY26. India's exports to the UK have increased at a CAGR of ~10% in the last 5 years. Imports on the other hand, have increased at a much faster pace of ~18% in CAGR terms. It must be noted that India runs a small trade surplus with the UK, since the value of exports is higher than imports. India's trade surplus with the UK stood at US$ 3.4bn in FY22, and expanded to about US$ 6bn by FY25, before dipping to US$ 1.8bn in FY26.



Source: CMIE, Bank of Baroda Research

India-UK export potential (BoB estimates)

The India-UK CETA provides significant opportunities for India's exports. By reducing/eliminating duties on almost 100% exports (by value), the CETA provides greater export competitiveness for Indian exporters. In terms of key commodities, India's major exports to the UK are readymade garments, electrical machinery, drugs and pharmaceuticals, gems and jewellery amongst others. We estimate that India's exports to the UK could increase to US$ 20bn in the next 5 years, from US$ 13.5bn currently. Significant tariff concessions have been offered to Indian exports under the CETA, covering a range of products such as agricultural and processed food, textiles, leather, engineering goods amongst others. The government has envisaged an ambitious target of doubling the bilateral trade between the two countries by 2030.

- For marine products, India's share in UK's total imports for marine products is around 2%. For UK, the major suppliers are Thailand, Norway, Poland, Norway and China which together account for about 45% of its total imports. Under the CETA, tariff ranging between 4.2-8.5%

on imports of marine and value-added seafood products has been brought down to zero, which will benefit exporters. We expect marine exports to almost double to US$ 253mn by 2030-31 from US$ 127mn currently.

- For other agri products such as rice and spices as well, due to a reduction in tariffs and the export potential in UK's market, exports from India are likely to double. While India is the major supplier of rice to the UK, it is facing increasing competition from other South Asian countries such as Pakistan, Thailand and Cambodia.
- For leather and related products, the import duty has been reduced from up to 16% to 0%. This will give India significant advantage as tariffs applied on China and Italy, which are India's major competitors in this category is higher. India's total exports of leather and leather products to the UK totalled US$ 411mn in FY26. This is expected to increase to US$ 900mn by 2030. This implies that India's market share in UK's total imports of these products would increase from 5% currently to about 10% in the next 5 years.
- Along similar lines, tariff free access has also been provided for textiles and apparel exports from India, which attracted a duty rate of ~12% before the CETA. This gives significant export competitiveness to India's exports as duty free access was already available for major competitors such as Bangladesh, Pakistan and Cambodia. From US$ 2.2bn in FY26 (Textiles and RMG), exports are expected to inch up to about US$ 3.1bn in the next 5 years.

Table 1: India's major exports to the UK

	% Share in FY26	Exports in FY26, US$ mn	Exports in FY31 E, US$ mn	CAGR, %
Total Exports	**100.0**	**13,451**	**24,211**	**12.5**
Agricultural exports				
-- Rice	1.8	236	508	16.6
-- Spices and plantation	1.0	134	228	11.2
--Marine products	0.9	127	254	14.8
Textiles	15.8	2,119	3,100	7.9
Leather & leather manufactures	3.1	411	900	17.0
Drugs, pharmaceuticals & fine chemicals	6.7	904	1,280	7.2
Gems & jewellery	5.2	702	1,328	13.6
Electronics				
--Telecom instruments	4.8	649	3,591	40.8
--Electronics instruments	1.4	191	451	18.8
Engineering goods				
--Iron and steel	4.2	569	916	10.0
--Products of iron and steel	2.4	328	376	2.8
--Aircraft, spacecraft and parts	1.4	187	334	12.4
--Motor vehicle/cars	1.3	175	492	23.0
--Auto components/parts	1.2	164	238	7.8
Others	48.7	6,556	10,215	9.3

Source: CMIE, Bank of Baroda Research, PIB Press Releases | E: Bank of Baroda Estimate

- Another key export item from India to UK is gems and jewellery. With the reduced tariff rate, India's exports of gems and jewellery is expected to increase to US$ 1.3bn from US$ 702mn currently.

- India's drugs and pharma exports to the UK account for 6.7% of total exports to the UK. Elimination of tariffs on Indian exports of drugs and pharmaceuticals is expected to lead to greater market access for Indian generics in the UK market.
- Exports of electronics, including telecom instruments to the UK is significant at US$ 1.8bn in FY25 and US$ 839mn in FY 26. In fact, UK is the fourth largest market for India's exports under this category. With the duty on these products reduced to 0%, exports of TV, monitors as well as telecom instruments could benefit. We expect exports under this category to increase to US$ 4bn by FY 31.
- India's engineering exports comprising primarily of electric machinery and instruments, transport equipment and iron and steel accounted for 18% of India's total exports to the UK in FY26. Over the last 5 years these exports have increased at an average growth rate of 20%, indicating good demand in the UK market. India's export account for only ~2% of UK's US$ 193bn market for these products, suggesting a huge potential for expansion. Within this, exports of electric machinery and equipment, which accounts for over 30% of exports under this category, is expected to increase to ~US$ 3bn, from US$ 1.5bn presently. Exports of iron and steel and related products is also expected to benefit from duty free access rising to US$ 1.3bn from US$ 897mn currently.

India-UK CETA import access

As part of the agreement, India has also agreed to reduce tariffs on 89.5% of its tariff lines, which covers about 91% of UK's exports to India. The government has taken efforts to safeguard the interests of sensitive sectors such as dairy, cereals, pulses, gold, optical fibres, smartphones, etc. The tariff exemptions have also been phased to ensure that only 24.5% of imports would be eligible for zero-duty immediately. Products which are strategically important, especially those which are covered under the government's programmes such as Make in India or Production Linked Incentive (PLI) scheme, will be eligible for a phased reduction in tariffs over 5, 7, or 10 years. Table 2 below gives India's major items of imports from the UK and also projects the potential imports in the next 5 years.

Table 2: India's major imports from the UK

	% Share in FY26	Imports in FY26, US$ mn	Imports in FY31 E, US$ mn	CAGR, %
Total Imports	**100.0**	**11,769**	**16,713**	**7.3**
Silver	44.9	5,289	6,505	4.2
Electronic goods				
-- Electronics components	1.8	208	311	8.4
-- Electronics instruments	1.9	220	296	6.2
-- Telecom instruments	1.6	187	225	3.7
--Medical and scientific instruments	2.1	253	318	4.7
Ferrous and non-ferrous metal products	7.3	861	1,188	6.7
Electrical machinery	5.8	685	891	5.4
Non-electrical machinery	5.3	627	878	7.0
Chemicals and related products	4.6	542	786	7.7
Transport equipment				
--Aircraft, spacecraft and parts	1.6	186	280	8.4
--Motor vehicle/cars	0.8	98	186	13.7

--Auto components/parts	1.3	154	254	10.5
Alcoholic beverages	3.5	410	661	10.0
Iron & steel	3.2	376	572	8.7
Paper board & manufactures	2.3	266	452	11.2
Gold	1.0	114	159	7.0
Others		1,294	2,751	16.3

Source: CMIE, Bank of Baroda Research, PIB Press Releases | E: Bank of Baroda Estimate

- Silver is the single most important import items from the UK by India and accounted for about 45% of India's total imports from the UK in FY26. In fact, the share of UK in India's total silver imports has surged from about 14% in FY21 to 44% in FY26. India's silver imports from the UK surged by about 150% in FY26, largely due to higher global prices. Under the CETA, the import duty on silver which currently stands at 10.75% will be phased out gradually over a period of 10 years. In addition, the government has also put in place stringent rule of origin requirements on imports of silver to prevent a sharp surge in silver imports. We expect silver imports from UK to increase to US$ 6.5bn by FY31, after accounting for a correction in silver prices.
- For electronic goods, the government has taken care to protect the domestic industries. As a result, while some products are excluded from any tariff concessions, for others, tariff concessions are phased. For electronic instruments and components, a nuanced strategy has been used. For inputs which are not domestically produced, tariffs have been immediately reduced to zero to benefit the rapidly expanding domestic industry. On others, a phased reduction of over 5-10 years has been agreed. Smartphones are excluded from any tariff concessions and will continue to attract a duty of 22%. It must be noted that UK, is the fourth largest supplier of smartphones to India after US, UAE and Netherlands. For medical instruments, the tariff concessions are phased over a period of 10 years. This is consistent with the government's focus on promoting domestic manufacturing of medial devices and instruments.
- India's major imports from UK with regard to non-ferrous metals is primarily aluminium and copper. For most copper products, the tariffs have been reduced to 0% immediately. However, certain items pertaining to copper scrap have been excluded to protect the domestic industry. For aluminium, tariffs on a majority of items have been reduced to 5% from around 8.25% currently. Here as well, aluminium scrap has been excluded. IT must be noted that UK is not India's major supplier of either copper or aluminium, While India sources majority of its aluminium from China and US, copper is sourced primarily from Tanzania, UAE and Japan. Since India has an FTA with UAE and Japan, the preferential rate offered to UK might not give it a significant advantage. Hence the scope of expansion for copper exports from the UK might be limited. On the other hand, aluminium imports from the UK (accounting for more than 3% of total imports from UK) can potentially see some traction.
- There has been significant focus on duty concessions offered to the UK on automobiles. The actual tariff concessions provided are quota-based phased reduction in tariffs. For completely built units (CBUs) of more than 3000 cc petrol and more than 2500 cc diesel the existing tariff rate of 110% would be reduced to 30% immediately, after which there will be a phased reduction in tariffs to 10%. However, there will be an annual quota applicable in each year. Similarly, for passenger vehicles CBUs with a capacity of from 1500 cc (petrol) to (and incl.) 2500 cc (diesel) / 3000 cc (petrol) and up to (and incl.) 1500 cc, the tariffs will be reduced from 66% to 10% in a phased manner, with applicable annual quotas. It must be noted that electric,

hybrid and hydrogen vehicles will be excluded from the ambit of these concessions for the first 5 years, to protect domestic industry from competition. Beyond the 5th year, these vehicles will also be eligible for tariff concessions based on the cost (including cif) and subject to annual quotas.

- For alcoholic beverages, primarily whiskey, tariff has been reduced to 110% from 150% immediately. Subsequent reductions are to be undertaken in a phased manner in 9 equal instalments such that the tariff rate at the start of the 10th year would be 75%. This will also be subjected to a minimum import price of US$ 5/litre or US$ 6/750ml. For other types of alcohol such as scotch, a similar schedule has been agreed, with immediate tariff reduction to 75%, followed by a phased tariff reduction to 40% by the start of the 10th year.

Table 3 below gives a breakdown of India's major items of imports from the UK in FY26 based on 8-digit HS-codes. Some points to note are:

- A total of 20 tariff lines accounted for ~65% of India's total imports from the UK.
- Out of the 20 items, tariffs on 5 goods would be immediately reduced to zero. These account for ~5% of India's total imports from the UK.
- Four tariff lines, representing about 6% of imports from the UK have been excluded from any tariff concessions. The existing tariffs on these range from 2.75% on Aluminium scrap to 10.75% on gold.
- For alcohol, tariff reductions are phased over a period of 10-year with end period tariffs ranging between 40%-75% from 110% currently.
- On silver, the duty rate of 10.75% would be eliminated in 10 equal annual instalments.
- For other items such as paper, aircraft parts and brass and copper scrap, as well, a phased reduction in tariffs is proposed.

Table 3: India's major import items from the UK

S.No.	HSCode	Commodity	Broad-commodity group	Imports from UK in FY26, US$ mn	% share in total imports	Tariff rate before CETA, %	Tariff rate after CETA, %
1	71069221	CONTAINING 99.9 PERCENT OR MORE BY WEIGHT OF SILVER	Silver	4,931	42.2	10.75	E10
2	76020010	ALUMINIUM SCRAP	Aluminium	354	3.0	2.75	Exclusion
3	84111200	TURBO-JETS OF A THRUST>25 KN	Aircraft parts	340	2.9	8.25	E7
4	72044900	OTHER WASTE AND SCRAP	Iron and steel	279	2.4	2.75	0
5	71069110	GRAINS	Silver	273	2.3	10.75	R10 to 50%
6	85176290	MACHINES FOR THE RECEPTION, CONVERSION AND TRANSMISSION OR REGENERATION OF VOICE, IMAGES OR OTHER DATA,	Telecom instruments	170	1.5	22.0	Exclusion
7	47079000	OTHR INCL UNSORTED WASTE AND SCRAP	Paper	130	1.1	11.0	E10
8	71081210	CONTAINING 99.5 PERCENT OR MORE BY WEIGHT OF GOLD	Gold	111	1.0	10.75	Exclusion
9	74040022	BRASS SCRAP	Ferrous and non-ferrous metal products	109	0.9	2.75	E10

10	22083013	BLENDED WHISKEY IN CONTAINERS HOLDING 2 LITRE OR LESS	Alcoholic beverages	96	0.8	150.0	75%, R10 to 40%
11	47071000	WSTE AND SCRP OF UNBLECHD KRAFT PAPR OR PAPRBORD OR CORGTD PAPR/PAPRBORD	Paper	95	0.8	11.0	0
12	74040012	COPPER SCRAP	Ferrous and non-ferrous metal products	87	0.7	2.75	E5
13	27131290	OTHERS-OF-PETROLEUM COKE CALCINED	Petroleum coke	82	0.7	8.25	Exclusion
14	85423100	MONOLITHIC INTEGRATED CIRCUITS - DIGITAL	Electronic integrated circuits	78	0.7	0	0
15	88073010	OF AEROPLANES HELICOPTERS	Aircraft parts	76	0.6	2.75	0
16	22089099	OTHER IN CONTAINERS HOLDING MORE THAN 2 LTR	Alcoholic beverages	68	0.6	150.0	110%, R10 to 75%, MIP 5
17	22083093	BLENDED WHISKEY IN CONTAINERS HOLDING MORE THAN 2 LTR	Alcoholic beverages	68	0.6	150.0	75%, R10 to 40%
18	88052900	OTHER PARTS	Aircraft parts	64	0.5	11.0	0
19	22083092	SCOTCH IN CONTAINERS HOLDING MORE THAN 2 LTR	Alcoholic beverages	64	0.5	150.0	75%, R10 to 40%
20	84818090	OTHERS-OF-OTHER APPLIANCES :	Electronic instruments	60	0.5	8.25	E10

Source: Ministry of Commerce and Industry, Bank of Baroda Research | Note: E10-duties to be reduced to 0% in ten equal annual instalments, E7- duties to be reduced to 0% in seven equal annual instalments, E5- duties to be reduced to 0% in five equal annual instalments, R10 to 50%-duties to be reduced in ten equal annual instalments to 50% of the base rate, R10 to 40%-duties to be reduced in ten equal annual instalments to 40% of the base rate, 110%, R10 to 75%, MIP 5- Duty to be reduced to 110% immediately after which duty will be reduced in nine equal annual instalments with the duty reduced to 75% by 10th year subject to MIP of US$ 5 per litre, Exclusion-No concession on existing duty rate

Conclusion:

India UK CETA is a positive step toward strengthening India's external position in the World and promoting exports. UK represents a US$ 900bn market, out of which only about US$ 14bn is supplied by India. Hence, the export potential is huge. Elimination on tariffs particularly for labour intensive sectors such as textiles and leather, will increase the competitiveness of Indian exports, benefitting MSMEs and women entrepreneurs. Further, India's agricultural exports such as rice, spices and marine products would also enjoy tariff free access in UK's market, offering a significant cost advantage. At the same time, manufacturing exports such as electronics, drugs and pharmaceuticals and gems and jewellery too will benefit from the preferential tariff rate.

On imports, the government has adopted a cautious approach. Sensitive sectors such as dairy and agriculture have been excluded, while phased reduction in tariffs has been offered on other items such as silver, alcohol and automobiles. We expect the total trade between India and UK to increase to US$ 41bn in the next 5 years from US$ 25bn in FY26. While India's exports to the UK are expected to register a CAGR of 12.5%, imports from the UK are estimated to increase at a CAGR of 7.3%. Hence, India's trade surplus with the UK is expected to increase to US$ 7.5bn by FY31 from US$ 1.7bn at present.

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