

Goyal-Trevelyan meet: India-UK FTA may cover 90% of goods

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India and the UK launched formal negotiations on Thursday for a “fair and balanced” free trade agreement (FTA), which could cover more than 90% of tariff lines, and aimed to double bilateral trade of both goods and services to about \$100 billion by 2030.

Both the sides could opt for an interim agreement first, which would be followed up with a broader FTA, commerce and industry minister Piyush Goyal indicated at a joint press briefing he held along with UK trade secretary Anne-Marie Trevelyan. This interim pact would mainly cover “low-hanging fruit”, Goyal said. This means sensitive issues—such as allowing freer movement of skilled professionals from India—could be taken up later once the negotiations for the full-fledged FTA reach an advanced stage. Both the sides aim to conclude negotiations for the full-fledged FTA in a year.

Separately, commerce secretary BVR Subrahmanyam said the proposed agreement will be a “new-age FTA” and go well beyond traditional pillars of goods, services and investments. In fact, it will have 16 chapters, including areas such as intellectual property rights, geographical indications, sustainability, digital technology and anti-corruption.

In the interim pact, about 60-65% of imported goods and 50-60 lines of services (out of about 160 lines) would be covered, Subrahmanyam added. Areas of India's interest, including textiles & garments, leather, footwear, marine products, iron & steel, gem & jewellery and processed food products, could be covered. Many of these are labour-intensive sectors.

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The India-UK trade is currently dominated by services, which make up for about 70% of the overall annual trade of roughly \$50 billion.

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If everything goes as planned, this would be India's third FTA during the current NDA regime. New Delhi hopes to clinch an FTA with the UAE early this year, which would be its first after more than a decade, and another one with Australia.

Allaying fears over negotiations in new areas such as IPR, sustainability, etc. (while India has traditionally been shy of including these in trade negotiations, advanced economies have been keen on these aspects as well), the commerce secretary highlighted the massive opportunity costs that India would incur if it steadfastly refuses to get into FTAs with advanced economies. As such, tariff advantages being enjoyed by competitors like Bangladesh and Vietnam (especially in garments) in the UK and Europe make our products uncompetitive there, he said.

Speaking to reporters at the joint briefing, Goyal also said mutual recognition agreements in the pharma sector could provide additional market access for exporters from both the countries. There is also great potential for increasing exports in service sectors like IT/ITES, nursing, education, healthcare, including AYUSH and audio-visual services. India would also be seeking special arrangements for movement of its people, Goyal added.

Before the pandemic, India shipped out goods worth \$8.7 billion to the UK in FY20 and its imports from that nation stood at \$6.7 billion. However, bilateral trade dropped to \$13.2 billion last fiscal in the wake of the pandemic. India mainly exports textiles & garments, gems and jewellery and certain capital and consumer goods to Britain and imports capital and consumer goods in large volumes as well.

The negotiations with the UK are a part of India's broader strategy to forge “fair and balanced” trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after India pulled out of the China-dominated RCEP talks in November 2019. Balanced FTAs will also enable the country to achieve its ambitious merchandise export target of \$1 trillion by FY28, against \$291 billion in the pandemic year of FY21.