



# UK-India Free Trade Agreement (FTA) signed: the key goods included, what it means

UK India FTA 2025: India-UK trade was valued at £42.6 billion in 2024. For one, the deal will see India's tariffs on whisky and gin halved. Indian professionals will also gain increased access to the UK market.

By: [Explained Desk](#)

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UK India FTA 2025: Prime Minister Narendra Modi said he spoke to UK PM Keir Starmer, describing the deal as an “ambitious and mutually beneficial Free Trade Agreement”. (X.com/narendramodi)

**UK India trade deal details: India and the United Kingdom inked a Free Trade Agreement (FTA) on Tuesday (May 6), bringing to an end around three years of negotiations.**

The timing of the deal, signed by the world's fifth and sixth largest economies, respectively, is significant. It comes as global trade is reeling under the tariffs unleashed by US President [Donald Trump](#) in early April.

In a post on X, Prime Minister [Narendra Modi](#) said he spoke to UK PM Keir Starmer, describing the deal as an “ambitious and mutually beneficial Free Trade Agreement”. It would help “catalyse trade, investment, growth, job creation, and innovation in both our economies. I look forward to welcoming PM Starmer to India soon,” he added.

What are the [key goods included](#) in the deal, and what were some of the sticking points earlier? What exactly is an FTA, anyway? We explain.

### What's in the UK-India trade deal?

**TRADE BOOST:** The agreement is expected to boost bilateral trade by £25.5 billion a year, from 2024 onwards, Britain said. Trade between the two nations totalled £42.6 billion in 2024.

Total UK exports to India amounted to £17.1 billion, while total UK imports from India amounted to £25.5 billion in 2024. India was Britain's 11th-largest trading partner last year. Britain said the deal was the “biggest and most economically significant” bilateral trade agreement it had signed since leaving the European Union in 2020 (what was dubbed “Brexit”).

**GOODS AND SERVICES IN FOCUS:** According to *Reuters*, whisky and gin tariffs will be halved from 150% to 75%, before falling to 40% by the tenth year of the deal, benefiting Britain's Scotch whisky industry and making the beverage cheaper in the world's largest whisky market.

India will also cut automotive tariffs to 10% under a quota from over 100% currently. Other British goods categories which will face lower tariffs include cosmetics, aerospace, lamb, medical devices, salmon, electrical machinery, soft drinks, chocolate and biscuits. Indian workers will also see increased quotas to work in the UK in certain sectors (more on this below).

## What led to the deal, and what issues emerged during negotiations?

The need for a trade deal between the countries was felt because of **multiple factors**. First, the disruption of supply chains during the pandemic brought home to Western companies the risks of over-dependence on China and the need for a 'China-plus one' policy.

For the UK, the size and potential of the Indian market offered a way to compensate for the loss of access to the European Single Market after Brexit. Under this mechanism, EU countries could freely access each others markets and their residents could easily move between countries to work.

Further, the country has suffered from a "cost of living" crisis in recent years. For PM Starmer, who won the general elections last July, the deal will mark an important achievement relatively early on in his tenure.

At the same time, in 2019, India decided not to join the China-dominated Regional Comprehensive Economic Partnership (RCEP), which includes multiple Southeast Asian countries. Alternate trade partners thus needed to be tapped.

Notably, a Global Trade Research Initiative (**GTRI**) **report** stated that the India-UK FTA is expected to yield only limited trade benefits for India, as many of its exports to the UK already enjoy low or zero tariffs. For India, services are an important area of concern when it comes to the UK.

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Some issues that took a while to be ironed out included work permits for Indian service sector workers under the FTA. Immigration was a major issue in the run-up to the Brexit vote. India had originally proposed larger quotas for professionals, particularly in sectors like IT and healthcare. A UK official recently told *Politico* that the new rules will lead to "around 100 new visas" for Indian workers each year.

Another point was the UK's carbon tax. It was looking to impose a levy on metal imports based on carbon emissions, which would have hurt Indian exporters.

### **And finally, what is a Free Trade Agreement or FTA?**

Simply, these are agreements between countries, aimed at setting rules that promote trade and ease regulations.

The Ministry of Commerce said in an FAQ that “FTAs are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate customs tariff and non tariff barriers on substantial trade between them.” They can cover both goods and services.

The UK's Department of International Trade noted, “Trade and investment barriers can make it more difficult and costly to trade or invest overseas. By removing or reducing them, FTAs can make it easier for businesses to export, import and invest. They can also benefit consumers by providing a more diverse and affordable range of imported products.”

The timing of the India-UK FTA matters. While the US's high tariffs have now been paused temporarily, a flat 10% rate is still applicable to all countries, and the general sentiment of uncertainty continues to prevail. As a result, countries around the world have been looking at strengthening trade relations with non-US partners and hedging against future shifts in US policy.

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