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# INDIA-UK CETA: A STRATEGIC PIVOT IN BILATERAL TRADE POLICY

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## **Introduction**

On July 24, 2025, India and the United Kingdom formally signed the Comprehensive Economic and Trade Agreement (CETA), a landmark free trade pact hailed as one of the most consequential trade developments for both countries in recent years. This signing, witnessed by the Prime Ministers of India and the UK, marks not just the culmination of strategic dialogue but the beginning of a new era of bilateral economic cooperation. Unlike earlier FTAs, which were often limited and conservative in scope, the India–UK CETA encompasses goods, services, digital trade, government procurement, intellectual property, labour standards, environmental norms, and even gender and anti-corruption frameworks. The UK government considers that the agreement will increase bilateral trade by £25.5 billion and boost UK GDP by £4.8 billion annually in the long term, while also supporting India's goal of becoming the third-largest economy by 2028.

## **A New Trade Paradigm: From Protectionism to Pragmatism**

In recent years, India has been actively reshaping its trade policies to adapt to the changing global landscape. As India progresses & it targets to make a mark on the international trade stage, the future holds a blend of ambitious targets and transformative policies that could redefine the country's economic landscape. At an opportune moment, India has tapped into the potential of entering into FTAs with a liberal mindset, which is in stark contrast to the mildly protectionist approach adopted in the past. The general pretence under which FTAs were initially entered into displayed a conservative methodology on the part of the Indian government, and these agreements were largely entered into between select countries. In the wake of the global trade war, India has proactively honed its trade relationships within a limited timeframe, establishing itself as a key player in world trade.

This deal will make 99% of Indian exports to the UK duty-free, marking a significant and bold step in the arena of international trade. This deal is expected to create over 2,200 jobs in the UK and extend benefits to the Indian market in terms of sectoral outreach, including the expansion of the Indian textile, footwear, gems, jewellery, and seafood industries into the British market. Along with the CETA, the two countries have also unveiled a new cooperation plan, termed the India-U.K. Vision of 2035, which provides an enhanced target across sectors such as technology, defence, education, and climate.

### **Tariff Liberalisation: Rewriting the Playbook**

CETA dramatically reduces tariffs across a wide range of products ranging from aerospace components, electrical machinery, textiles, marine products, leather, footwear, toys, jewellery, Internal Combustion Engines (ICE), Electric, Hybrid and Hydrogen Vehicles, Trucks, whiskey and gin. Therefore, 90% of the tariff lines may see reduced tariffs for the UK, whereas India would see the elimination of tariffs on 99% of its tariff lines. The automotive tariff will see a reduction from over 100% to as low as 10% through a tariff rate quota system, which will significantly improve export competitiveness. Appendix 2A-a and Appendix 2A-b of the India-UK CETA provide the tariff list for various products, along with their corresponding Harmonised System of Nomenclature ('HSN') classifications and Basic Custom Duty ('BCD') Rates. This shows that India is gradually shedding its protectionist mindset when it comes to trade and at the same time protecting its domestic industry to calibrate with the changes that FTA ushers.

### **Tracing Trade Legitimacy: Rules of Origin Framework**

Chapter III on Rules of Origin of the India-UK CETA provides for origin criteria which state that in a product wholly obtained or produced in any of the party countries, or a product originating from a wholly produced good, shall be eligible for preferential treatment under this CETA. Further, Article 3.3 of this Chapter provides for certain goods that shall be considered as wholly obtained, such as minerals, plants, live animals, fish, and derivatives of any goods mentioned previously.

Under this Chapter, the valuation method of the goods has also been demarcated, indicating their Free-On-Board ('FOB') value. An exception clause has also been provided under this Chapter wherein it has been stated that if a non-originating material undergoes further production, then the same would be treated as an originating material regardless of where the good was originally produced. It has also been clarified under the CETA that certain activities will not be included when checking whether a product has originated from one of the party countries. Such processes include packaging, washing, cleaning, and simple painting.

The CETA has further clarified that the Proof of Origin shall be maintained as per Article 3.15 of the Agreement, wherein, for Indian importers, Proof of Origin shall be an origin declaration by the exporter or the producer. A Certificate of Origin shall be submitted to the customs authority of the importing party in accordance with the internal laws and regulations, and shall follow the prescribed structure provided under the CETA. Lastly, under this Chapter, the two parties commit to establishing a Working Group on Rules of Origin, which will include functions such as administering

and interpreting this Chapter, facilitating the exchange of information and communication, and providing necessary contact details to smooth the trade process.

### **Customs and Trade Facilitation: Technology Meets Transparency**

Under Chapter 5 of the India-UK CETA, both parties agree to adopt or maintain simplified customs procedures as set out in this Chapter, aimed at reinforcing their cooperation to promote trade facilitation while ensuring effective customs control. The parties under this Chapter commit to providing for regular consultations between their border agencies and traders so as to ensure a transparent mechanism for Customs Control implementation. Furthermore, this Chapter facilitates the automation of documentation and data by making electronic systems accessible to customs users and employing electronic or automated risk management systems to prevent disputes and discrepancies. Article 5.5, acting as a crucial safeguard, provides for a time limit for the release of goods in most cases, which is capped at 48 hours from the point of arrival at the customs point of clearance. Lastly, this Chapter outlines various processes that importers can adopt to ensure clarity in classification or valuation issues, including the use of Risk Management Systems, the provision of Advance Rulings, and appeal mechanisms.

### **Auto Sector: Driving into a New Era of Trade**

The FTA's potential to revolutionise the automotive sector is one of its most notable aspects. Indian automakers, such as Tata Motors (through Jaguar Land Rover) and Mahindra Electric, along with several component exporters, already have a significant presence in the UK, which remains a major market for luxury automobiles. Bilateral automotive trade is anticipated to be stimulated by the agreement's planned reduction of tariffs on ICE and EVs, which are currently over 100%, to as low as 10% under the Tariff Rate Quota (TRQ) mechanism. This allows UK automakers to export high-end EVs and hybrids while limiting unexpected influxes in the Indian market under carefully calibrated safeguards. This gives Indian consumers access to cutting-edge automotive technology by reducing tariffs on electric and hybrid vehicles.

### **Trade in Services & Professional Mobility**

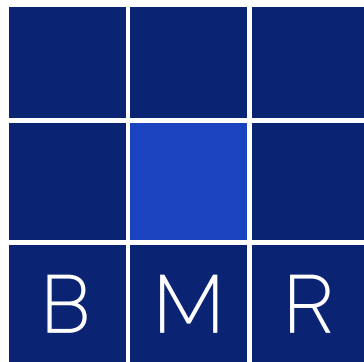
In an attempt to facilitate economic growth amidst the ever-evolving technological demo sphere, the India-UK CETA has committed itself to ensuring that trade in new-age services is classified and regulated in accordance with the Agreement. Under this, Financial Services has been included as a separate chapter, and regulations and guidelines have been provided for parties trading in financial services. These rules include commitments for market access, as well as additional commitments such

as qualifications, standards, or licensing matters. Additionally, a separate Annex has been added to the India-UK CETA governing trade in professional services, with the objective of encouraging the development of systems that recognise professional qualifications and facilitate the sharing of knowledge. Under the same wing, a Working Group on Professional Services shall be established, comprising representatives from each party, with the functions of liaison, review, and monitoring of the commitments outlined in the CETA.

### **BMR Legal View**

The India-UK CETA is expected to bring exponential gains for Indian sectors, such as Agriculture, Textiles, Footwear, seafood, and gems, while supplementing the Make in India initiative. Furthermore, the CETA, including provisions related to specific services, has enhanced the ability to innovate and offers increased mobility for Indian professionals. For multinationals, the India-UK FTA ushers in a new era of duty optimisation, regional sourcing, and supply chain realignment. It also necessitates a fresh compliance posture on rules of origin, dispute avoidance under advance rulings, and valuation certainty through automation. In essence, the CETA exemplifies India's emergence as a pragmatic, assertive, and globally integrated economic actor. Furthermore, with this game-changing trade agreement, Indian industries can expect similar trade agreements with the EU and the US, which are currently under active deliberation, leading to a significant boost to the Indian economy.

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