



BAJIRAO IAS ACADEMY

THE HINDU ANALYSIS

11 MAY 2025



**INDIA- UK FREE TRADE
AGREEMENT**



INDIA-UK FREE TRADE AGREEMENT

What will be impact of India-U.K. trade deal?

How long was the free trade agreement in the works? When is it expected to be signed and implemented? Which are the sectors likely to benefit apart from textile and automobiles? What are the challenges for agriculture and medium and small enterprises?

Saptaparno Ghosh

The story so far:

After nearly three-and-half years, India and the U.K. finally gave their nod to a Free Trade Agreement (FTA) this week. Commerce Minister Piyush Goyal said the pact would set a new benchmark for "equitable and ambitious trade between the two large economies". Though the fineprint has not yet been made public, domestic industry has welcomed the announcement, amid concerns about the potential impact on agriculture and medium and small enterprises (MSMEs). The deal is likely to be signed after three months, and will take over a year to implement.

Why is the deal significant for both nations?

The U.K. is India's 16th largest trading partner and India is the U.K.'s 11th largest partner. Their bilateral trade is about \$60 billion with India enjoying a positive trade balance, which is expected to double by 2030, according to the Indian government's estimates. The new trade deal, as assessed by the British government, would increase the bilateral trade by another \$34 billion. The agreement comes in the backdrop of global trade reeling under uncertainty triggered by U.S. President Donald Trump's tariff regime.

What are the expectations from the FTA?

While the details are yet to be published, the

Indian workers temporarily in the U.K. will not have to pay social security contributions for three years

British government said it would benefit from India agreeing to slash tariffs on 90% of the product categories for export, with 88% of them becoming "tariff-free" within a decade. Further, basing its assessment on 2022 prices, it estimated that \$534 million worth in tariffs would be saved when the deal is enforced. On the other hand, New Delhi expects to benefit from tariffs being eliminated on 99% of its export product categories. It expects an increase in export opportunities for sectors such as textiles, leather, footwear, auto parts, engineering as well as gems and jewellery, among others. The British government mentioned about curtailed tariffs on automobiles, whisky and gin, sectors which had been hit by Mr. Trump's tariffs. Alcoholic beverages from the U.K. will now have a 75% tariff rate, from the present 150%. This would be further reduced to 40% within a decade. Tariffs on automobile exports too stand reduced from over 100% to 10% albeit with a certain quota based on price for conventional combustion engine vehicles and capacity for electric vehicles.

With respect to services, India has secured an exemption for Indian workers temporarily in the U.K. and for their employers from paying social security contributions for three years under the Double Contribution Convention. Immigration was among the major points of contention during negotiations with the erstwhile Conservative government. The FTA will also seek that visa processes remain "transparent" and no "unnecessary" obstacles are created in professional travel.

How has domestic industry responded?

Indian industry is upbeat about the announcement and expects a spike in exports. Textiles are among the major items of export to the U.K. Mithleshwar Thakur, secretary general at the Apparel Export Promotion Council (AEPCL), told *The Hindu* that exports are expected to "grow exponentially". He said India would now enjoy duty-free access to U.K. markets like their main competitors Bangladesh and Vietnam. On competition, he clarified that there was "hardly any" import from the U.K. in this sector.

The Indian automobile industry feels it will benefit from the deal. C.S. Vigneshwar, president, Federation of Automobile Dealers Associations (FADA), contended that the FTA would ensure the U.K. has better access to India's premium (vehicle) segment markets, and Indian makers would serve the U.K.'s mass segment markets. "We do not expect the U.K.'s mid-segment cars to be competitive to Indian

vehicles because the cost of production and labour is lower in India," he stated. Kirit Bhansali, chairman, Gems and Jewellery Export Promotion Council (GJEPC), in a social media post projected a rise of \$2.5 billion of exports within the next two years in the sector, thus, culminating in bilateral trade doubling to \$7 billion.

Are there concerns?

There are concerns in primarily two sectors, agriculture and MSMEs. Vijoo Krishnan, general secretary of the All-India Kisan Sabha, points to a previous FTA with Sri Lanka having led to a price crash in similar products produced by Indian farmers like spices and tea, among others. He also cites the case of the lasting impact of the ASEAN FTAs impact on rubber which stood at ₹200/kg in 2011 compared to ₹170/kg in 2025. He observes that FTAs have paved "unequal" paradigms for Indian farmers and MSMEs. "The Indian farmers hold small lands, a good number of them being less than five acres. This is not the case with advanced countries," he stated. Mr. Krishnan further points to the World Trade Organization's contention about minimum selling price in India. "Given the number of farmers we have, the cumulative amount of subsidies is huge though per-capita pales in comparison to European farmers. Also, WTO considers the base price from the late 1980s," he states, elaborating, "there has been much escalation of costs since then and farmers must be given commensurate increase in prices, incentives and subsidies". Ajay Srivastava, founder of the India-based Global Trade Research Initiative, said permitting foreign firms to compete on an equal footing in India could weaken the policy tools India needs to build local capacity in vital sectors such as defence, renewables, health systems and infrastructure. "It also threatens the ecosystem of MSMEs that rely on protected access to government contracts to stay viable," he observes.

On public procurement, the U.K. held that the FTA would allow their companies to bid for government procurement contracts on "better terms and with greater access to the relevant information to support their bids". According to Dinesh Abrol, adjunct faculty at the Transdisciplinary Research Cluster on Sustainable Studies at JNU in Delhi, this could lead to a growing import dependency.

The other unaddressed aspect in the FTA concerns the U.K.'s Carbon Border Adjustment Mechanism (CBAM) which would impose a "carbon price" on goods bearing greenhouses being imported into the country. This would be of particular consequence to Indian aluminium and steel exports. Although unrelated to the U.K., Mr. Goyal warned that India too would retaliate with likewise taxes should Europe go ahead with the carbon pricing mechanism, suggesting a cause for potential uncertainty.



Trade talks: Britain's Prime Minister Keir Starmer with Prime Minister Narendra Modi at the G20 summit in Brazil in November 2024. (AP/ICIS)

❑ After nearly three-and-half years, India and the U.K. finally gave their nod to a **Free Trade Agreement (FTA)** this week.

❑ Commerce Minister Piyush Goyal said the pact would set a new benchmark for "**equitable and ambitious trade between the two large economies**".

❑ Though the fineprint has not yet been made public, domestic industry has welcomed the announcement, amid concerns about the **potential impact on agriculture and medium and small enterprises (MSMEs)**.

❑ The deal is likely to be signed after three months, and will take over a year to implement.

Why is the deal significant for both nations?

The U.K. is India's 16th largest trading partner and India is the U.K.'s 11th largest partner.

Their bilateral trade is about \$60 billion with India enjoying a positive trade balance, which is expected to double by 2030, according to the Indian government's estimates.

The new trade deal, as assessed by the British government, would increase the bilateral trade by another \$34 billion.

The agreement comes in the backdrop of global trade reeling under uncertainty triggered by U.S. President Donald Trump's tariff regime.

WHAT IS FTA?

A Free Trade Agreement (FTA) is a deal between countries to reduce taxes and other barriers on goods and services they trade. This makes trade easier, cheaper, and more efficient.

FTAs can be between two countries or a group of them, and often cover areas like investment and online trade.

While FTAs boost exports and investment, they can also hurt local industries if not well planned.



What are the expectations from the FTA?

- ❑ While the details are yet to be published, British government said it would benefit from India agreeing to **slash tariffs on 90% of the product categories** for export, with 85% of them becoming “tariff-free” within a decade.
- ❑ British government estimated that **\$534 million worth in tariffs would be saved** when the deal is enforced.
- ❑ On the other hand, New Delhi expects to benefit from **tariffs being eliminated on 99% of its export product categories**.
- ❑ It expects an increase in export opportunities for sectors such as **textiles, leather, footwear, auto parts, engineering** as well as gems and jewellery, among others.
- ❑ Alcoholic beverages from the U.K. will now have a **75% tariff rate, from the present 150%**. This would be further reduced to 40% within a decade.

- ❑ With respect to services, India has secured an exemption for **Indian workers temporarily in the U.K.** and for their employers from **paying social security contributions** for three years under the Double Contribution Convention.
- ❑ The FTA will also seek that visa processes remain **“transparent” and no “unnecessary”** obstacles are created in professional travel.

Are there concerns?

- ❑ There are concerns in primarily two sectors, **agriculture and MSMEs.**
- ❑ Previous FTA with Sri Lanka having led to a price crash in similar products produced by **Indian farmers like spices and tea, among others.**
- ❑ The Indian farmers hold small lands, a good number of them being less than five acres. This is not the case with advanced countries,”

EXPLAINING TRADE DEALS

Preferential Trade Agreement (PTA)

Two or more partner countries agree on preferential import tariffs on certain products. Each country has a mutually accepted positive list of tariff lines (products) eligible for low or zero duties.
Eg: India-Afghanistan PTA

Free Trade Agreement (FTA)

FTAs are bigger in scope as partner countries offer preferential trade terms

and tariff concessions to each other for a much wider set of products and services. Both sides maintain a negative list of products and services that are excluded. Eg: India-Sri Lanka FTA.

Comprehensive Economic Cooperation Agreement (CECA)

CECA is more comprehensive than FTA as it generally covers negotiation on trade tariffs and tariff rate quotas that allow mutually agreed concessional import rate up to a certain quantity. Eg: India-

Malaysia CECA

Comprehensive Economic Partnership Agreement (CEPA) & Economic Cooperation and Trade Agreement (ECTA)

The most comprehensive of all, CEPA or ECTA, covers negotiation on trade in services and investment and other areas of economic partnership like trade facilitation, customs cooperation, competition, IPR, etc. It can cover regulatory aspects of trade too.
Eg: India-Japan CEPA

SAFE HARBOUR MECHANISM

Is safe harbour important for social media?

What is intermediary liability? How does safe harbour protect social media platforms from legal action?

Aroon Deep

The story so far:

In written submissions to the Parliamentary Standing Committee on Communication and Information Technology, the Union Ministry of Information and Broadcasting said that it is reconsidering the concept of safe harbour for social media platforms, to combat the issue of "fake news" online.

What is safe harbour?

Safe harbour is a legal concept that protects individual websites that allow third party users to share content from legal liability for any unlawful posts. The concept was put in place in the early years of the internet as a key safeguard to encourage innovation online and prevent website owners from being unfairly hounded for content they had no hand in publishing. The concept of a middleman being responsible for third party content is known as intermediary liability, and safe harbour protects sites, by default, from any criminal action for content hosted by them. In the U.S., safe harbour is enshrined in Section 230 of the Communications Act of 1934, inserted into the decades-old law in 1996. In India, Section 79 of the Information Technology Act, 2000, grants intermediaries similar protections.

The protections are not without conditions. In India, if an intermediary receives "actual

knowledge" of illegal content on their website, they lose liability protections under Section 79 if they don't work to take the content down within a certain time period. The Supreme Court has read down "actual knowledge" to mean a court order or government notification.

Without safe harbour protections, online intermediaries could face tremendous consequences for illegal content. For instance, in 2004, the then head of the website eBay in India was arrested because of a user listing of a disk containing child sex abuse material for sale.

Context:

- ❑ In written submissions to the Parliamentary Standing Committee on Communication and Information Technology, the Union Ministry of Information and Broadcasting said that it is **reconsidering the concept of safe harbour** for social media platforms, to combat the issue of **"fake news" online**

What is safe harbour protection?

Governments across the world realised that these intermediaries must be given protection from legal liability that could arise out of illegal content posted by users, considering the importance of these intermediaries in the online space and the fact that their mode of operation was quite different from the traditional brick-and-mortar business. Countries like the US and members of the European Union, and India now provide protection to intermediaries from such user generated content. Such protection is often termed as a 'safe harbour' protection.

What is safe harbour?

- ❑ **Safe harbour is a legal concept** that protects individual websites that allow third party users to share content from legal liability for any unlawful posts.
- ❑ The concept was put in place in the early years of the internet as a **key safeguard to encourage innovation** online and prevent website owners from being unfairly hounded for content they had no hand in publishing.
- ❑ The concept of a middleman being responsible for third party content is known as **intermediary liability**, and safe harbour protects sites, by default, from any criminal action for content hosted by them.
- ❑ In India, **Section 79 of the Information Technology Act, 2000**, grants intermediaries similar protections.

SOCIAL MEDIA

- Identify 'first originator' of content that authorities consider anti-national
- Appoint grievance officer, resolve complaints in 15 days
- File monthly compliance report on complaints received, action taken

DIGITAL NEWS

- Follow Press Council of India, Cable TV Networks (Regulation) Act norms.
- Self-regulatory bodies to oversee adherence to Code of Ethics
- I&B Ministry to form panel, oversight mechanism

OTT PLATFORMS


- Self-classify content into five age-based categories: U (universal), U/A 7+ (years), U/A 13+, U/A 16+, and A.

- Parental locks for any content classified as U/A 13+ or above.
- Age verification mechanism for content classified as 'A' (adult)

- ❑ The protections are **not without conditions**.
- ❑ In India, if an intermediary receives “**actual knowledge**” of illegal content on their website, they lose liability protections under **Section 79** if they don’t work to take the content down within a certain time period.
- ❑ The Supreme Court has read down “**actual knowledge**” to mean a court order or government notification.
- ❑ Without safe harbour protections, online intermediaries could face **tremendous consequences for illegal content**.
- ❑ For instance, in 2004, the then head of the website eBay in India was arrested because of a user listing of a disk containing child sex abuse material for sale.

X's legal challenge

Here are the contentions of Elon Musk's company in the Karnataka High Court:



- Why issue blocking orders under Section 79(3)(b) of the Information Technology (IT) Act, 2000, and not under Section 69A
- Section 79(3)(b) outlines the conditions under which an intermediary loses its 'safe harbour' protection

- Section 69A empowers the government to block access to online content, under specific circumstances
- Union Home Ministry's Sahyog portal is a 'censorship portal'

Why is the government considering amending the safe harbour clause?

- ❑ The government has accused foreign social media platforms of **flouting Indian laws and acting too slowly** on takedown notices.
- ❑ On multiple occasions before Elon Musk acquired Twitter, now known as X, the platform had public confrontations with the Union government regarding orders to hide users' content.
- ❑ X under Mr. Musk has continued to fight the **government's right to issue blocking and takedown orders** without notice to users at the Karnataka High Court.
- ❑ The Union government has pitched **amending safe harbour** as a way to get platforms to be more proactive in governing their sites, not just for what they deem to be misinformation, but for AI-generated deepfakes, cyberfrauds and so on.
- ❑ The Ministry of Electronics and Information Technology has indicated that it would **draft a Digital India Act (DIA)** that would incorporate these changes, but the outlines of how safe harbour would change under this proposed law have not yet been revealed.

THE TERMS OF ENGAGEMENT ON TERROR

What has changed: India's terms of engagement on terror and ties



C RAJA MOHAN

YET ANOTHER military confrontation between India and Pakistan has come to an end and this time, after their most intense fighting in two decades, the terms of engagement between Delhi and Rawalpindi have changed.

India's effort to break out of the constricting corner formed by Pakistan's nuclear weapons and cross-border terrorism has produced some key advances: the willingness and ability to attack Pakistan's heartland in west Panjab and reopen the Indus Water Treaty.

Since it came to power in 2014, the Modi government has sought to alter the traditional terms of engagement with Pakistan shaped by its nuclear weapons

and its pursuit of cross-border terror with impunity.

In the crisis that followed Pakistan's terror attack on Uri in 2016, Delhi signalled that the Line of Control was no longer sacrosanct and it would be ready to cross it to attack the terror infrastructure in Pakistan-occupied Kashmir.

In the wake of the Pulwama terror attacks in 2019, Delhi chose to go beyond PoK
CONTINUED ON PAGE 2



- Yet another **military confrontation between India and Pakistan** has come to an end and this time, after their most intense fighting in two decades, the **terms of engagement** between Delhi and Rawalpindi have changed.
- India's effort to break out of the **constricting corner formed by Pakistan's nuclear weapons and cross-border terrorism** has produced some key advances:
- The willingness and ability to attack Pakistan's heartland in west Panjab .
- Reopen the Indus Water Treaty.

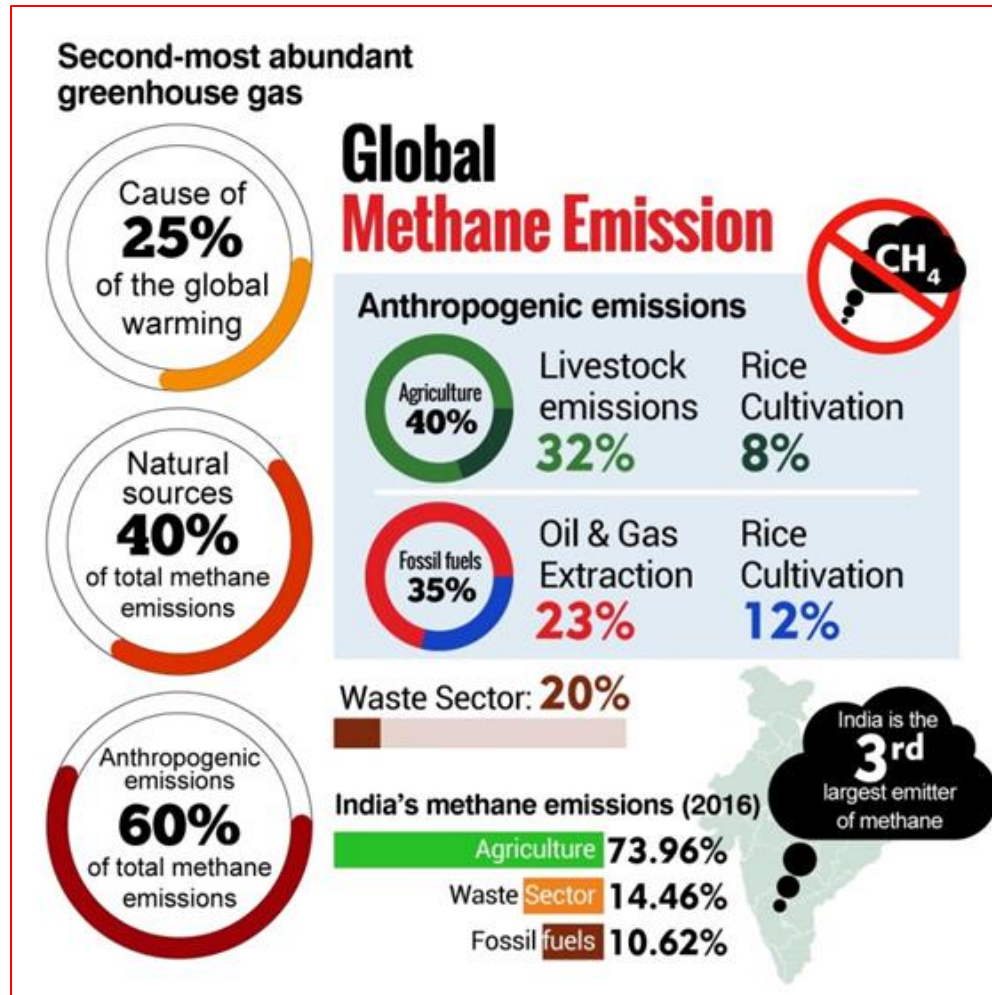
- ❑ Since it came to power in 2014, the **Modi government** has sought to alter the **traditional terms of engagement** with Pakistan shaped by its nuclear weapons and its pursuit of cross-border terror with impunity.
- ❑ In the crisis that followed Pakistan's **terror attack on Uri** in 2016, **Delhi** signalled that the **Line of Control was no longer sacrosanct** and it would be ready to cross it to attack the terror infrastructure in Pakistan-occupied Kashmir.
- ❑ In the wake of the Pulwama terror attacks in 2019, Delhi chose to go beyond PoK and attack a terror camp in Khyber Pakhtunkhwa.
- ❑ The same year also saw Delhi change the **constitutional status quo in Kashmir**.
- ❑ The message to Islamabad was clear: the status of **Jammu and Kashmir will no longer be on the table** for talks with Pakistan.



- ❑ In the current crisis, **Delhi reached deep into the Panjab** to hit at terror camps there.
- ❑ Delhi, the government is saying, will no longer hold back in **countering the sources of terror**.
- ❑ One of the key outcomes of the present crisis is the decision to **suspend the Indus Waters Treaty**.
- ❑ US Secretary of State Marco Rubio claimed Saturday that both sides agreed to talk on a **“broad set of issues,”** at a **“neutral site.”**
- ❑ Delhi, however, would wait to see whether the **Pakistan army is sincere** about implementing the ceasefire agreement.



IEA GLOBAL METHANE TRACKER 2025



- ❑ Methane is a **potent greenhouse gas** and is responsible for about 30% of the increase in global temperatures since the Industrial Revolution.
- ❑ Its **atmospheric concentration** has risen , now being 2.5 times higher than preindustrial levels.

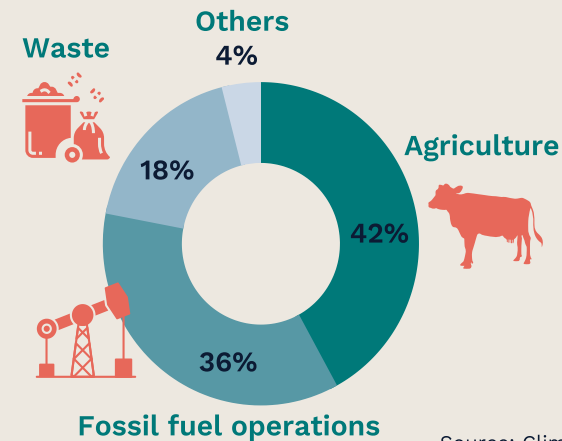
Sources of Methane Emissions

- ❑ The main sources of methane emissions include agriculture, energy, and waste.
- ❑ The energy sector alone accounts for over 35% of human-related methane emissions.
- ❑ Within this sector, **oil operations contributed around 45 million tonnes**, natural gas operations nearly 35 million tonnes, and abandoned wells around 3 million tonnes.
- ❑ Coal also plays a role, emitting over **40 million tonnes**, with contributions from abandoned mines and end-use equipment.

Methane in numbers

Methane (CH₄) is a greenhouse gas emitted by human activities such as natural gas production and livestock farming, as well as from natural sources such as wetlands

Global emissions sources



86 times

more powerful than carbon dioxide over a 20-year period

500,000

premature deaths caused by air pollution each year are linked to methane emissions

Source: Climate & Clean Air Coalition

Reducing Methane Emissions

- ❑ The IEA suggests that up to **70% of methane emissions** from the fossil fuel sector could be reduced using current technologies.
- ❑ For the oil and gas sectors, **75% of emissions could be mitigated** through measures like upgrading equipment and sealing leaky wells.
- ❑ The report marks the importance of **addressing emissions from abandoned facilities**, which could rank among the largest sources of fossil fuel methane emissions globally.

Global Methane Pledge

- ❑ **The Global Methane Pledge (GMP)** aims to collectively reduce methane emissions by at least **30% from 2020** levels by 2030.
- ❑ Notably, high-emission countries such as **China and India have not joined GMP**.





Thank you

Address

**B-47, Main Road Shivalik Enclave, Block-
B, Shivalik Colony, Malviya Nagar, New
Delhi-110017**

Phone Number +91 8178833167