

India-UK FTA: Not a zero-sum game, but 'give and take'

India's hesitancy to engage in FTA's, by and large, has been on account of high trade deficit with trading partners post the implementation of ASEAN, S Korea and Japan FTA/CECA. While the legitimacy of these concerns is questionable, the experience of South East Asian countries clearly points to the positive outcomes of FTAs in developing manufacturing capabilities and aligning with development/growth targets.

In the current context of the proposed FTA with UK, India's negotiating agenda should clearly focus on pushing up India's overall export capability. Considering the emerging challenges of increasing trade costs, higher incidence of non-tariff barriers, integrating technology with supply chains, digitization, sustainable and green technologies, the India-UK FTA provides opportunities for not only expanding India's trade engagement with UK but also with the rest of the world given the trade complementarity between the two nations.

Structurally, there are significant differences in the economic indicators of UK and India as detailed in Table 1. The trade orientation (trade openness) of UK is significantly higher than India. Second, the share of services in GDP is much higher in UK relative to India, while the share of manufacturing and agriculture is relatively higher in India. However, ironically, UK's exports of goods accounted for 54% of total exports to India, while services accounted for 46% of total exports. And third, the wide difference in GDP per capita indicates the prospects for higher growth in GDP for India relative to UK. With growth in income, the demand for high end goods and services is likely to increase faster in India. For India, the high income in UK entails a demand structure for value-added goods and services.

Source: The Economic Times

