

THE GLOBAL TRADE LAW JOURNAL

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Editor's Note: Where We Stand

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UK-India Free Trade Agreement: A New Era for Bilateral Trade and Investment

Findley Penn-Hughes, David A. Carpenter, Paul C. de Bernier, Sam Eastwood, Arun G. Rao, Hiral D. Mehta, and Paul Whitfield-Jones

Lifting of Sanctions on Syria by the United States, European Union, and United Kingdom

Tamer Soliman, Thea Kendler, Aiysha Hussain, Edouard Gergondet, Emily King, and Jason Hungerford

Dubai Free Zone Establishments May Now Obtain Licences to Do Business in "Onshore" Dubai

Mike Taylor, Rawad Abou Jaoude, Olisa Maduegbuna, and Omar Almansoori

Charting a New Course: The SHIPS Act of 2025 (Reintroduced)

Emily Huggins Jones and Ryan Last

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- 357 Editor's Note: Where We Stand**
Victoria Prussen Spears
- 361 The Foreign Subsidies Regulation: Where We Stand Months Into Implementation of the Notification Obligations**
Axel Gutermuth, Charlotte Simphal, and Sara Routsis
- 381 The Evolving Landscape of Trade Controls on Critical Minerals and Rare Earth Elements**
Roger Matthews, Daniel Lund, Amy Chaplin, Rupert Ekblom, Elizabeth "Beth" McCall, and Juulia Kontio
- 389 UK-India Free Trade Agreement: A New Era for Bilateral Trade and Investment**
Findley Penn-Hughes, David A. Carpenter, Paul C. de Bernier, Sam Eastwood, Arun G. Rao, Hiral D. Mehta, and Paul Whitfield-Jones
- 397 Lifting of Sanctions on Syria by the United States, European Union, and United Kingdom**
Tamer Soliman, Thea Kendler, Aiysha Hussain, Edouard Gergondet, Emily King, and Jason Hungerford
- 409 Dubai Free Zone Establishments May Now Obtain Licences to Do Business in "Onshore" Dubai**
Mike Taylor, Rawad Abou Jaoude, Olisa Maduegbuna, and Omar Almansoori
- 415 Charting a New Course: The SHIPS Act of 2025 (Reintroduced)**
Emily Huggins Jones and Ryan Last

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UK-India Free Trade Agreement: A New Era for Bilateral Trade and Investment

Findley Penn-Hughes, David A. Carpenter, Paul C. de Bernier, Sam Eastwood, Arun G. Rao, Hiral D. Mehta, and Paul Whitfield-Jones*

In this article, the authors explore the UK-India Free Trade Agreement, writing that the agreement is expected to reshape the landscape for trade, investment, and regulatory cooperation, and to serve as a benchmark for future global trade policy as both the United Kingdom and India look to ink further agreements with other major economies around the world.

The recent conclusion of the UK-India Free Trade Agreement (FTA) marks a defining moment in the economic and strategic partnership between India and the United Kingdom.

This agreement, the result of over three years of negotiations, is a wide-ranging and ambitious trade deal. For the United Kingdom, it is the most significant free trade agreement signed since Brexit; for India, it marks a deeper integration into international value chains. The FTA is expected to reshape the landscape for trade, investment, and regulatory cooperation, and to serve as a benchmark for future global trade policy as both the United Kingdom and India look to ink further agreements with other major economies around the world.

A New Framework for Trade and Investment

The UK-India FTA is notable for its breadth, covering not only goods and services but also digital trade, government procurement, intellectual property, labor, gender, anti-corruption, and environmental standards. The agreement is projected by the UK government to increase bilateral trade by £25.5 billion and boost UK gross domestic product by £4.8 billion annually in the long run, while supporting India's ambition to become the world's third-largest economy by 2028.

Tariff Reductions and Market Access

Central to the FTA are sweeping tariff reductions. India has agreed to reduce or eliminate tariffs on 90 percent of product lines for UK exports, with 85 percent of those becoming fully tariff-free within a decade. This includes immediate and staged reductions on key UK exports such as Scotch whisky (duties falling from 150 percent to 75 percent on day one, and to 40 percent over 10 years), as well as significant cuts for automotive products, medical devices, cosmetics, aerospace components, and food and drink. The United Kingdom, in turn, will eliminate tariffs on 99 percent of Indian goods, including clothing, footwear, processed foods, jewelry, and a wide array of manufactured products.

Services, Investment, and Professional Mobility

The FTA is ambitious in its treatment of services and investment. With the notable exception of legal services (explored further below), UK financial and professional services firms will benefit from guaranteed market access and non-discriminatory treatment in India. For example, the agreement locks in India's foreign investment cap for the insurance sector at 74 percent. This represents a floor in the foreign investment cap in the sector, and may be increased to 100 percent in the near future, as set out in an announcement by the Finance Minister of India on February 1, 2025. Both countries have also committed to cooperation on financial technology, financial stability, and market integration, and to the mutual recognition of professional qualifications in key sectors.

A notable feature is the facilitation of temporary movement for professionals, allowing UK and Indian nationals to travel for business purposes, attend conferences, and provide services under contract. The agreement also introduces a Double Contributions Convention (DCC), ensuring that employees temporarily posted between the United Kingdom and India for up to three years will only pay social security contributions in their home country, reducing costs and administrative burdens for employers and employees alike. This provision has proved controversial in the United Kingdom, despite not including benefit entitlement and mirroring similar bilateral social security agreements between

the United Kingdom and other countries, including the European Union, the United States, Turkey, Mauritius, and others (which do include benefit entitlement).

Digital Trade and Innovation

The FTA is forward-looking in its approach to digital trade and innovation. It reduces barriers to digital trade, supports the legal recognition of electronic contracts and authentication, and protects businesses from forced transfer of source code. Provisions on cross-border data flows and data localization are included, with the opportunity for further negotiation as India develops similar commitments with other partners. The agreement also establishes an Innovation Working Group and includes enhanced copyright protections, with India committing to protect works for at least 60 years and to review its copyright terms.

Government Procurement and SME Support

For the first time, UK businesses will have access to India's vast government procurement market, estimated at over £38 billion annually. The agreement provides for preferential treatment for UK-origin products and services, and for the publication of procurement opportunities through a single online portal. Dedicated provisions support small and medium-sized enterprises (SMEs) through information sharing, streamlined customs procedures, and the establishment of contact points to facilitate market entry.

Regulatory Cooperation, Standards, and Dispute Resolution

The FTA promotes good regulatory practice, transparency, and cooperation on standards, including sanitary and phytosanitary measures, technical barriers to trade, and customs facilitation. A modern, state-to-state dispute settlement mechanism ensures that trade disputes are resolved in a consistent, fair, and timely manner, providing certainty for businesses and investors.

Anti-Corruption Standards and Cooperation

A significant area of interest throughout the negotiation process has been the inclusion of an anti-corruption “chapter.” The UK government’s “Strategic Approach”¹ to the FTA, published at the outset of negotiations, highlighted the strong desire among UK stakeholders for robust anti-corruption measures. Respondents to the government’s consultation were clear that the FTA should address concerns around bribery and corruption in certain sectors in India, and that the UK should build on its own strengths in this area since the introduction of the UK Bribery Act in 2010.

The final agreement apparently includes a commitment to an anti-corruption chapter—an important step, and notably the first time India has agreed to such a chapter in a trade agreement. However, at this stage, the precise content of the anti-corruption chapter has not been published, and it is not yet clear what specific obligations or enforcement mechanisms it will contain. The UK government’s summary indicates that the chapter will set out shared ambitions to combat the trade-distorting impacts of bribery and corruption, but the details remain to be finalized and scrutinized.

While the anti-corruption landscape in India presents its own challenges, it seems likely that the chapter will contain provisions agreeing to abide by certain international anti-corruption treaties, similar to those set out in other notable free trade agreements, including Chapter 27 of the United States-Mexico-Canada Agreement and the 2025 EU-Mexico Global Agreement.

The final drafting of the anti-corruption chapter, and the specifics of the anti-corruption obligations it will impose, come at a critical time for anti-corruption enforcement globally following the February 10, 2025 announcement of the pause in Foreign Corrupt Practices Act (FCPA)² enforcement by the new U.S. administration. In March, the United Kingdom, France, and Switzerland announced an anti-corruption taskforce³ and a renewed focus on anti-corruption collaboration in what was perceived as a response to the potential slowdown in U.S. enforcement.

However, in a memo dated May 12, 2025, and in remarks the following day, the U.S. Department of Justice announced, after the initial review of enforcement under the FCPA, a renewed focus on “bribery and associated money laundering that . . . harm[s] the competitiveness of U.S. businesses[] and enrich[es] foreign corrupt officials.” Whether and how the uncertain and overlapping

global enforcement priorities will play out in the final text of the FTA remains to be seen.

Competing Realities: How the Final Agreement Appears to Differ from the UK and India's Stated Goals

The final FTA largely reflects the ambitions set out in the UK government's "Strategic Approach" document. The government's objectives included broad tariff liberalization, ambitious commitments on services and digital trade, strong provisions on labor and environmental standards, and a focus on supporting SMEs and innovation. The final agreement appears to deliver on most of these aims, with comprehensive coverage of goods and services, digital trade, government procurement, and sustainability.

However, there are some areas where the final agreement differs from the initial strategic vision as set out on the UK side. Notably, the FTA does not address market access for legal services, despite recent moves by the Bar Council of India (BCI) to liberalize the sector. Following the announcement of the FTA, on May 14, the BCI announced amendments to the regulations governing foreign lawyers in India, including new rules aimed at promoting India as an arbitration hub and the role of qualified Indian lawyers in arbitration. However, rather than further liberalizing the market for legal services, the new rules place restrictions on the practice of foreign law by foreign-qualified lawyers practicing within the country, including on a "fly in, fly out" basis, despite the BCI's stated intention to liberalize the sector. This sector of the Indian economy remains highly restricted, despite the BCI's stated intention to allow greater access to the Indian market by foreign firms.

In terms of labor mobility, while the FTA introduces improvements—such as the DCC, which reduces social security costs for temporary postings—there are no substantial changes to visa quotas or broader access for high-skilled professionals, especially in sectors like information technology and healthcare. This reflects ongoing domestic sensitivities in the United Kingdom and the complex negotiations around movement of people.

The anti-corruption chapter, while a first for India in any FTA and a clear response to UK stakeholder concerns, remains to be fully detailed. Similarly, the FTA does not guarantee unrestricted

cross-border data flows, leaving this as an open issue for future negotiation given the differing regulatory approaches of the two countries. The rules of origin provisions, which allow UK exporters to incorporate third-country components, have raised concerns in India about the potential for indirect entry of non-UK goods. However, the agreement attempts to address these apprehensions through a dedicated trade remedies chapter, including a bilateral safeguard mechanism designed to protect domestic industries from sudden import surges or unfair trading practices.

These differences and efforts to neutralize the potential adverse impacts reflect the realities of negotiation, and the need to balance ambition with political and economic constraints on both sides.

Opportunities and Challenges for Business

The UK-India FTA offers substantial opportunities for businesses and investors on both sides. Exporters and importers will benefit from significant tariff reductions and streamlined customs procedures, particularly in sectors such as automotive, beverages, life sciences, manufacturing, textiles, and agri-food. Services providers will enjoy enhanced market access and regulatory certainty, while SMEs will benefit from improved access to information and new support mechanisms. Investors can look forward to greater legal certainty, transparency, and protection for cross-border investments.

However, challenges remain. The FTA does not address market access for legal services, and the full benefits of the agreement will depend on effective implementation, ongoing regulatory cooperation, and sustained engagement with stakeholders. The details of the anti-corruption and other regulatory type chapters, in particular, will be closely watched as the legal text is finalized and published.

Conclusion

The UK-India Free Trade Agreement represents a transformative step in the bilateral relationship, offering a new framework for trade, investment, and cooperation in a rapidly changing global economy, and one that was likely not foreseen by either side at the outset of negotiations three years ago.

As the agreement moves toward ratification and implementation, companies should assess their supply chains, market strategies, and compliance frameworks to capitalize on the new opportunities and manage the associated risks. How these play out may also have some bearing on the potential and much-anticipated future trade deals between the United Kingdom and India on the one hand, and the United States and the European Union on the other.

Notes

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1. <https://assets.publishing.service.gov.uk/media/61e1b75e8fa8f5058d5a76bf/uk-india-free-trade-agreement-the-uks-strategic-approach.pdf>.

2. <https://www.whitehouse.gov/presidential-actions/2025/02/pausing-foreign-corrupt-practices-act-enforcement-to-further-american-economic-and-national-security/>.

3. <https://www.gov.uk/government/publications/international-anti-corruption-prosecutorial-taskforce>.