



India-Britain free trade

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(Mains GS 2 : Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.)

Context:

Recently, India's Commerce Minister Piyush Goyal and the U.K.'s International Trade Secretary Anne-Marie Trevelyan announced their shared ambition to finish negotiations on a comprehensive and balanced FTA by the end of 2022.

Meaningful steps:

- India-United Kingdom leadership directed their governments to take rapid steps to reduce barriers to trade, and to complete the groundwork necessary to begin work on a Free Trade Agreement (FTA).
- As part of that transformation, the two leaders declared their ambition to more than double bilateral trade by 2030.
- Both governments have already taken action; for example, unlocking the export of British apples to India and enabling a greater number of Indian fisheries to export shrimp to the U.K.
- These are the small but meaningful steps by which both countries have demonstrated they can and have taken concrete measures to stimulate growth.

Inward investment:

- India's traditional stakes are high in Britain as British Indian companies cumulatively turned over more than £85 billion just last year even amid the pandemic.

- India's trade would see a quantum jump when the free trade pact is signed, from £23.3 billion when they inked an Enhanced Trade Deal last year to £50 billion post-FTA.
- The British inward investment into the subcontinent was nearly £21 billion in the last two decades making Britain as the largest western investor in India, and this will also see a substantial increase.”
- With India set to become the world’s third largest economy by 2050, India not only becomes the U.K.’s most preferred partner, its 1.5 million diaspora in the isles would get a shot in the arm when the FTA is signed.

Offering opportunities:

- Having left the European Union’s common trade bloc after 47 years (in 2020), the U.K. is building a network of like-minded democracies committed to free trade.
- The Indian government is showing its determination to agree to a new set of trade deals; and it is not coincidental that both governments are negotiating with similar countries, for example, Australia.
- Freer trade with the U.K. will help through greater access to a highly open and competitive market, offering valuable opportunities for India’s booming companies, for example giving Bengaluru’s start-ups direct access to London’s capital markets.

Stimulate growth and employment:

- U.K. government analysis shows that, depending on the depth of the deal, an FTA would add around £14.8 billion to the GDP of India and the U.K. collectively by 2035.
- A trade deal helps diversify supply chains by making it easier and cheaper for more businesses to do business across borders.
- Lower barriers coupled with greater regulatory certainty would incentivise new small and medium-sized enterprises to export their goods and services.
- In the present geo-strategic competitive world, two dynamic democracies such as India and the U.K. need to work closer together to promote open economies.

Conclusion:

An FTA would mark a new way of working between the U.K. and India as it provides a new framework within which the two countries can grow and flourish together.