

# The Britain-India trade deal is a sign of things to come

*American tariffs are likely to accelerate bilateral trade deals*

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**SIR KEIR STARMER** hailed it as Britain’s “biggest trade deal” since Brexit, and the “most ambitious” agreement in India’s history. Neither, it must be said, are especially high bars. Despite Brexiteers’ dreams, Britain has chalked up only a handful of modest deals since leaving the EU in 2020. India, meanwhile, has long been one of the world’s least-open markets. For Britain this follows a long and painful history: Mahatma Gandhi spent hundreds of hours spinning yarn to promote his boycott of the colonisers’ cloth.

That alone makes the trade deal agreed between India and Britain on May 6th significant—perhaps even a “landmark”, as Britain’s prime minister and his opposite number, Narendra Modi, claimed. The deal will add a useful boost to trade between the world’s fifth- and sixth-largest economies. Beyond that, as the first major agreement since Donald Trump’s tariffs came into effect in April, it points to how [America’s disruption of global trade](#) could accelerate bilateral negotiations around the world. What was—and wasn’t—included here will be studied closely elsewhere.

The core of the deal was a big reduction in tariffs. The negotiating teams will be toasted, above all, by Scottish distillers and Indian drinkers, thanks to the halving of tariffs on whisky and gin, from 150% to 75%. Indian tariffs on cars will fall from 100% to 10%, subject to a quota that is yet to be specified. In total India agreed to reduce tariffs on 90% of products—the most open agreement on goods it has struck. Britain, meanwhile, will reduce tariffs on Indian clothes, shoes and food.

According to the British government, the deal will boost annual trade between the two countries by £25.5bn (\$34bn) over 15 years. That is a rise of more than a third, with the larger part coming from British exports (at the moment India accounts for around 2% of Britain’s trade in goods). Compared with other deals that Britain has struck since Brexit, notably with Australia and New Zealand, Indian tariffs started at a far higher level, and British businesses will benefit from selling into a much larger market. Britain also won greater access to India’s government procurement contracts, though experts think that will help mostly with the sale of goods.

That points to the lack of progress in the area that could have been most beneficial: services. The British government had wanted easier access to the Indian market for legal and accountancy firms, and stronger protections for British companies selling products in India. Its refusal to budge on India’s biggest ask—more visas for Indian workers, particularly in IT—put that beyond reach. The government

is due to publish an immigration white paper next week. Hardening attitudes to immigrants are probably the biggest constraint on rich countries lowering barriers.

One part of the deal has already sparked controversy. Indian workers on inter-company transfers in Britain will not have to pay national insurance for three years, to avoid being double taxed, given they already make social-security contributions at home. Such deals, which apply reciprocally, are common. India already has them with many countries including France, Germany and the Netherlands; Britain does, too. Yet politicians on the right, including Nigel Farage, attacked the proposal, arguing it will undercut British workers. It is true that Indian companies employ more workers in Britain than elsewhere, though still only around 110,000 in all. But the number of Indian workers who can enter via this route will not rise—indeed it may well fall.

Social security and Britain's apparent refusal to agree to India's request for an exemption from carbon border taxes will be among the aspects of the deal studied closely in Brussels. Progress on a potentially much larger trade deal between India and the EU has stalled on several issues, including agriculture and electric vehicles, but some parts of the one with Britain could offer a template. "This deal will definitely set a precedent," says Sam Lowe of Flint Global, a consultancy.

Until now, India had struck serious trade deals with relatively few countries. But since Mr Modi won re-election last year his appetite for trade agreements has grown. India is set to be among the biggest beneficiaries of the trade war between America and China. Signing deals with countries like Britain signals to investors that it is a stable place to grow a business, says Abhijit Das, a trade expert based in New Delhi. Britain, meanwhile, is hoping to finalise deals this year with the UAE and Switzerland, as well as with the EU. Both Britain and India are said to be close to making deals with America.

Mr Trump's impact on negotiations between other countries can be overstated. Domestic factors will still matter most. But having appeared stuck only months ago, Britain and India have concluded this deal at a clip. Mr Das reckons that America's upending of the global order could spur negotiators to act more quickly and pragmatically, taking more risks and prioritising finalising deals over agreeing every point. It has certainly "focused minds", says Vikram Doraiswami, India's high commissioner in London. "The attitude is let's bag what we can get." Call it the start of the deals. ■

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