

UK and India in 'striking distance' of agreement

PETER FOSTER AND JIM PICKARD

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ANDRES SCHIPANI — NEW DELHI

India and the UK are locked in the final stages of negotiating a free trade deal, with both sides wrangling over main demands in London this week, according to people briefed on the talks.

The most intractable area of disagreement is over Delhi's request to be exempted from the UK's "carbon border tax", starting in 2027, which would add costs to imports from India such as steel, two people with knowledge of the discussions said.

The UK is adamant the issue falls outside the parameters of bilateral free trade negotiations because of world trade rules that require all nations to be treated equally, meaning India cannot legally be exempted from the scheme.

Further sticking points centre on the pharmaceutical and car sectors, according to one of the people briefed.

Five separate points were still to be agreed following talks between Piyush Goyal, India's commerce minister, and the UK on Tuesday afternoon, although several big chapters were signed off, said one person close to the discussions.

"The final yards are always the hardest, but it is moving at breakneck pace," the person said.

The deal would be the most significant trade agreement signed by the UK since leaving the EU in 2020.

One of Goyal's officials said the negotiations "seemed positive". Another senior commerce ministry official added that a deal was within "striking distance", warning "the tail-end takes the longest".

Goyal and Jonathan Reynolds, business secretary, met UK business leaders in Downing Street on Tuesday, with both sides positive about the prospect of a deal but neither committing to a timeline.

"They said they had productive meetings and had made progress 'but one or two issues remained on the table'," said one executive who attended.

Goyal will now travel to Norway and then Brussels, but officials said it was possible he could return to London on Saturday when it was still hoped an agreement in principle could be reached.

Other areas of contention include whether Indian employees transferred to the UK should be exempt from national insurance contributions to avoid so-called "double taxation", and the number of visas allocated to Indian professionals.

Delhi has accepted that Britain will only offer as few as 100 extra visas for Indian workers a year, according to the Politico website.

India opened trade talks with Britain in 2022 but the recent threat of a 26 per cent "reciprocal" US tariff on Indian goods has renewed impetus to conclude the talks.

Both governments have said that the resumption of talks came out of discussions between their respective prime ministers on the sidelines of the G20 summit in November in Rio de Janeiro.

Bilateral trade between India and Britain, the world's fifth and sixth-largest economies respectively, hit £41bn (\$54bn) in the 12 months to September 2024, according to UK government estimates, with India having a surplus.