

## The UK-India Free Trade Agreement (FTA)

<b>Lead department</b>	Department for Business and Trade
<b>Summary of proposal</b>	The UK and India have negotiated a FTA that aims to make it easier to trade by reducing the tariffs and non-tariff measures imposed on businesses.
<b>Submission type</b>	Impact assessment (IA) – 21 July 2025
<b>Implementation date</b>	TBC
<b>Policy stage</b>	Final Impact Assessment
<b>RPC reference</b>	RPC-DBT-25056-IA(2)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	23 July 2025

The RPC's role in assessing the IA of an FTA is to consider the validity of the analysis underpinning the assessment and its presentation in the IA. The RPC's opinion does not consider the merits of the FTA or the negotiation process.

The RPC's fitness for purpose rating is based on the understanding that the Government should aim for the highest standards of evidence and should seek to present an objective analysis of that evidence to inform Parliament and the public of the impacts of the FTA.

## RPC opinion

Rating <sup>1</sup>	RPC opinion <sup>2</sup>
<b>Fit for purpose</b>	<p>The IA utilises a widely accepted global trade model with accompanying dataset, combined with additional modelling and analysis to estimate the potential long-run impacts of the FTA. The key results and limitations of the modelling are clearly explained. The IA presents some sensitivity analysis of the GDP, trade and wage impacts and a qualitative discussion of how global uncertainties may affect the modelled impacts. Following the RPC's initial review, the IA includes a more detailed discussion of how trends in the growth of UK-India trade and the overall growth of the Indian economy could affect the reported benefits of the FTA.</p> <p>The IA includes a high-level discussion of the wider impacts of the FTA including on competition, innovation, businesses and consumers, but could be improved with a more detailed and quantitative assessment where possible. The assessment of environmental impacts is rigorous, including appropriate comparisons against UK emissions and recognition of the potential contribution of non-CO<sub>2</sub> emissions not included in the analysis.</p> <p>The IA includes a satisfactory monitoring and evaluation (M&amp;E) plan, using a mixed methods approach to analyse trends in trade data and explore a set of research questions which may be evaluated over the long-term where appropriate.</p>

<sup>1</sup> Where the Department requests the RPC to review the impact assessment for an international free trade agreement (FTA), the RPC may issue a "fit for purpose" or "not fit for purpose" rating of the quality and robustness of the analysis and evidence presented in the FTA impact assessment. The RPC's rating in this opinion is based on a checklist developed in conjunction with and agreed by the Department for International Trade (DIT), the Better Regulation Executive (BRE) and the RPC.

This rating is different from the ratings which the RPC issues on Regulatory Impact Assessments (RIAs) and Options Assessments (OAs) prepared by government departments in accordance with the [Better Regulation Framework](#) which relate to domestic policy changes. In its opinions, the RPC rates RIAs and OAs as "fit for purpose" or "not fit for purpose" based on the quality of the department's (i) rationale; ii) identification of options; and iii) justification for the preferred way forward.

<sup>2</sup> Our opinion scrutiny is on the assessment of the post trade negotiation position. Our comments are not related to the quality or outcome of the negotiation.

## RPC summary

Category	Quality*	RPC comments
Rationale and options	Not applicable	Not applicable
Trade modelling and analysis	<b>Satisfactory</b>	The IA employs a widely used computable general equilibrium model (CGE) with the most recently available database of international trade flows combined with additional partial equilibrium modelling and other analysis to estimate the impacts of the FTA. The inputs, structural assumptions and limitations of the CGE model, plus caveats for interpreting the results are presented clearly.
Uncertainty, risks, and assumptions	<b>Satisfactory</b>	The IA uses Monte Carlo sensitivity analysis to test the gross domestic product (GDP), trade and real wage estimates of the model to variations in some of the key parameters, assumptions and inputs. It also includes a qualitative discussion of some global uncertainties and risks but could use scenario analysis to illustrate the potential to affect the results. The IA discusses the extent to which the modelled macroeconomic impacts could be affected by the recent rapid growth in UK-India trade and the Indian economy which is not incorporated into the baseline of the model.
Free trade agreement (FTA) impacts	<b>Satisfactory</b>	The IA provides a detailed presentation of the modelling estimates for bilateral trade, GDP for the UK, India and neighbouring countries, sectoral and regional output, employment and wages.
Wider impacts	<b>Weak</b>	The IA provides a relatively high-level assessment of the FTA's wider impacts on competition, innovation and small and medium-sized enterprises (SMEs) by drawing on theoretical arguments and previous research findings. A more quantitative analysis is provided for the impacts on the environment, protected groups and the nations and regions of the UK. The presentation of the quantified environmental impacts are contextualised by focusing on UK greenhouse gas (GHG) emissions. The IA

recognises that non-CO<sub>2</sub> GHG emissions are not included in its estimate. The analysis could be improved further by monetising the overall emissions impact using carbon values.

Monitoring and evaluation	<b>Satisfactory</b>	The Department intends to publish a monitoring report for the FTA within approximately two years of implementation, followed by a mixed methods ex-post evaluation within approximately five years that may be followed by a longer-term evaluation after ten years. The RPC would recommend that the longer-term evaluation definitely takes place. The M&E plan could be improved with more information on how the data to be collected will be analysed to address the evaluation questions.
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**\* Explanation of quality assessment**

- **Good** - Addresses the issue well. The analysis is sufficiently robust and addresses the issue properly. The analysis is based on good to high-quality, proportionate evidence and uses appropriate assumptions. It could be improved only in minor areas (if at all) and provides good support for decision-making on these aspects of the assessment.
- **Satisfactory** - Addresses the issue adequately. The analysis is considered satisfactory. The analysis is based on adequate, proportionate evidence and uses appropriate assumptions. Some improvements could be made, but it provides sufficient support for decision-making on these aspects of the assessment.
- **Weak** - Weak analysis of the issue. The analysis is not sufficiently robust to address the issue. Improvements are required in one or a number of areas. It provides inadequate support for decision-making on these aspects of the assessment.
- **Very weak** - Very weak analysis of the issue. The analysis is poor and has significant flaws. Significant improvements are required in one or a number of areas. It provides inadequate support for decision-making on these aspects of the assessment.

## Response to initial review

As originally submitted, the IA was not fit for purpose as it provided an insufficient assessment of the sensitivity of the modelled impacts to the recent growth in trade between the UK and India and the overall growth of the Indian economy, which appeared to lead to an underestimation of the impacts of the FTA on UK GDP. In addition, the summary of the environmental impacts should have focused on the comparison with UK emissions rather than global emissions to better contextualise the results and the IA should have explained the significance of non-CO<sub>2</sub> greenhouse gases to the environmental impacts. The Department also provided only a relatively high-level assessment of some of the wider impacts on businesses (including SMEs), consumers, competition and innovation. In addition, the FTA IA did not provide a strong commitment to longer-term evaluation.

In response, the Department has included a more detailed discussion of how trends in bilateral trade, the growth of the Indian economy and shifts in sectoral composition could increase the estimated benefits of the FTA. The Department has revised its presentation of the environmental impacts and recognised the contribution of non-CO<sub>2</sub> GHG emissions. Although the Department has included some additional discussion of wider impacts, the RPC believes this remains an area where the analysis could be developed further for future FTA IAs.

## Summary of proposal

The FTA aims to create greater certainty and transparency for businesses involved in bilateral trade by reducing tariffs and non-tariff measures (NTMs) between the UK and India. At present, the UK trades with India under 'Most Favoured Nations' (MFN) terms.

The analysis in the IA is based on a computable general equilibrium (CGE) model to estimate the long-run consequences of the FTA, expressed as percentage changes relative to 2019 levels. These figures are also expressed in pound (£) values to provide a basis for contextualising the impacts in 2024 prices. The estimates are subject to considerable uncertainty but are intended to indicate the direction and rough magnitude of impacts compared to the counterfactual of continuing to trade under MFN terms. When compared to projected levels of GDP or trade in 2040 without the agreement, the FTA IA indicates that (after staging of up to 10 years), the main impacts (based on central estimates and in 2024 prices) are:

- UK Gross Domestic Product (GDP) is expected to increase by £4.8 billion (0.13 per cent).
- India's GDP could increase by 0.06 per cent (the equivalent of £5.1 billion).
- UK trade with India could increase by £25.5 billion (39 per cent).
- UK exports to India are estimated to increase by £15.7 billion (59 per cent) and UK imports from India could increase by £9.8 billion (25 per cent).
- Total exports and imports to and from the rest of the world (including India) are expected to increase by £6.5 billion and £6.4 billion respectively.

Therefore, a large share (59 per cent) of the increased exports to India represents a reallocation away from the UK's existing trading partners.

- Across the 23 UK sectors modelled, 16 may experience higher gross value added (GVA), with the strongest gains in the 'other service' sector which includes transport, water and housing services (+£551 million), manufacturing of machinery and equipment (+£527 million), wholesale and retail trade services (+£405 million). The largest expected decreases in GVA are in textiles, apparel and leather (-£114 million) and the manufacture of transport equipment (-£85 million)
- Annual real take-home pay for UK workers is expected to increase by 0.19 per cent equivalent to £2.2 billion across the whole of the UK compared to wages in 2024.
- All nations and regions of the UK are expected to see an increase in GVA with an overall growth of 0.10 per cent. In England, the largest percentage growth rate of 0.13 per cent occurs in the West Midlands (equivalent to +£190 million), followed by 0.12 per cent in the North East (+£70 million) due to their relative concentration in the manufacturing sectors expected to grow as a result of the FTA. London is expected to see the lowest GVA growth of 0.06 per cent (+£310 million). Scotland, Wales and Northern Ireland are also expected to see growth in GVA of 0.12 per cent, 0.11 per cent and 0.11 per cent respectively.

## Trade modelling and analysis

The IA for the UK-India FTA is similar in structure, methodological approach and analysis to those previously reviewed by the RPC for the UK-Australia, UK-New Zealand and UK-CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) FTAs.<sup>3</sup> The RPC considers the trade modelling to be of a good quality and the inputs, structural assumptions and limitations are discussed transparently.

### Data, evidence and baseline

The IA uses a widely employed and highly regarded computable general equilibrium (CGE) model developed by Purdue University and referred to as the Global Trade Analysis Project (GTAP) model. The modelling within the IA utilises the most recent GTAP database available of national economies and trade flows based on 2019 data.<sup>4</sup> The IA states that the database has been updated to reflect changes to trading relationships since 2019 as a result of previous FTAs negotiated by both the UK and India. Recent trends in the expansion of bilateral trade between the UK and India over the period 2019 to 2024 are not accounted for in the baseline which the IA

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<sup>3</sup> The RPC has issued fit-for-purpose opinions on the respective IAs for the free trade agreements with [Australia](#), [New Zealand](#) and [CPTPP](#) and the comprehensive economic partnership with [Japan](#).

<sup>4</sup> The dataset captures national production data and global goods trade in 2019 but uses global services trade data from 2017. An updated GTAP database was released in June 2025 which included 2019 data for services.

acknowledges may affect the estimated impacts of the FTA (see *uncertainty, risks and assumptions*).

The IA provides some contextual information on the Indian economy which is projected to grow rapidly by 5 per cent a year in real terms between 2021 and 2050, more than double the expected growth rate for the world economy over the same period. As the economy expands, India's demand for global imports is estimated to increase, becoming the world's third largest import market by 2050. In 2024, India was the UK's 11<sup>th</sup> largest trade partner with trade in goods and services totalling £42.6 billion and accounting for 2.4 per cent of total UK trade, increasing from 1.7 per cent in 2019. The IA presents the areas of sector specialisation across the two countries (Table 1) and provides data on the change in the share of UK exports to India between 2019 and 2024 by the 23 sectors used in the modelling (Table 19) to provide more context to the impacts on sectoral output estimated to occur as a result of the FTA.

### **Modelling and analysis**

The impacts of the FTA are forecast using the CGE model, utilising widely accepted global trade methodology and datasets. The estimated long-run impacts are typically assumed to take around 10 to 15 years and to have developed fully by 2040. The impacts are also assumed to be additional to any other long-term economic changes, which are assumed to affect the FTA and the counterfactual equally and therefore should not alter the estimated FTA impacts relative to the counterfactual. The IA highlights the limitations of comparative static CGE modelling for assessing FTA impacts, noting that they should not be interpreted as precise estimates, and acknowledges the inherent uncertainties and the model's inability fully to capture dynamic impacts.

## **Uncertainty, risks, and assumptions**

Although the IA makes use of a recognised trade model and dataset to estimate the key impacts of the FTA, the inability of the modelling to account for significant trends affecting trade as a result of the growing Indian economy is likely to lead to an underestimation of the impacts. The Department has included discussion of the limitations of the model and how these trends could impact the reported benefits of the FTA.

The IA acknowledges the macroeconomic impacts of the modelling and the distributional impacts across sectors are subject to a high degree of uncertainty. The IA uses statistical simulations to test the sensitivity of the central estimate of the impact on UK GDP (0.13 per cent) when varying the assumptions relating to some of the variables including effective tariffs, trade elasticities and non-tariff measures. In 90 per cent of the simulations, the increase in UK GDP ranged between 0.11 per cent and 0.14 per cent. The IA also includes sensitivity analysis for the impacts on the changes in UK exports and imports to and from India, total trade and real wages.

Following the RPC's initial review, the Department has now provided a more expansive justification in the technical annex for some of the CGE model's most restrictive assumptions, including full employment of labour and perfectly competitive



markets, and discusses the potential effects of moving away from these assumptions on the estimated FTA impacts. Additional modelling information and technical detail has now also been provided in a methodological notes document which is helpful.

As initially submitted, the IA did not provide a sufficient explanation for the sensitivity of the key modelling results to recent trade trends, such as the almost doubling of bilateral trade between the UK and India between 2019 and 2024, and the continued growth of the Indian economy relative to other economies. The IA now provides a more detailed assessment of how these factors could affect the results in both percentage and absolute (£) terms, leading to a potential underestimation of the FTA's impacts. For example, applying the modelled impacts to updated forecasts in the most recent Global Trade Outlook would increase bilateral trade between the UK and India by £31.3 billion compared to the £25.5 billion presented in the IA's main analysis. The IA also now explains how the growth of the Indian economy, combined with changes in the sectoral composition of trade over time, could affect the macroeconomic impacts. Although the IA would benefit from more analysis in this area, the Department notes that it would be difficult to provide a quantitative analysis based on the data currently available.

The IA discusses a range of other uncertainties and exogenous factors that may affect the model results, including changes in sectoral composition occurring for reasons unrelated to the FTA, recent tariff announcements made by the US, the potential impacts of the Economic Prosperity Deal the UK is negotiating with the US, inflation, climate change and achieving net zero, urbanisation within India and future technological change. Although the Department provides a high-level discussion of these factors, the IA could be improved by providing some scenario analysis to illustrate how the modelled FTA impacts could be affected by assumptions made relating to some of these factors.

## **Free trade agreement (FTA) impacts**

The IA presents the outputs of a range of models and analytical approaches to identify the impact of the FTA on UK-India bilateral trade, including the impact of trade reallocation and diversion, as well as impacts on sectors, wages, protected groups and the nations and regions of the UK. The IA and its supporting annex clearly state that the results from the models used should not be interpreted as precise estimates, forecasts or projections, but provide an indication of the direction of impacts and their possible magnitude.

### **International trade**

The IA estimates that UK-India trade could increase by 39 per cent as a result of the FTA, equivalent to £25.5 billion per year when applied to projected levels of trade in 2040. Most of the increased trade is attributable to higher UK exports to India which increase by £15.7 billion, with imports from India accounting for £9.8 billion.

UK exports to India are estimated to grow in all industries over the long-run as a result of the FTA, with the largest absolute increases in the manufacture of machinery and equipment (+£3,124 million), chemical, rubber and plastic products (+£1,263 million) and manufacture of motor vehicles (+£894 million). For the latter,



the IA caveats the estimated growth potential by noting that there remains uncertainty over how the sector will evolve over time, most notably with the pace and degree of transition to electric vehicles. Although the IA briefly mentions chemicals as a future growth sector, the IA could be improved by offering similar qualitative assessments for other sectors to outline whether there are emerging market trends or constraints that may impact the ability of sectors to grow or contract in the way estimated by the CGE modelling.

The IA and supporting annex also present the results of the government's partial equilibrium (PE) trade model which provides more detailed sectoral disaggregation of the impacts of the FTA. This model estimates that the largest absolute increases in UK exports to India are for cosmetics, whisky, auto parts and car engines, while the largest increases in imports from India are for clothing, textiles and footwear. Although the IA summarises the difference between the PE and CGE modelling (for example, the PE analysis focuses on the direct impact on sectors and does not consider general equilibrium effects arising from the long-run reallocation of resources), a more detailed explanation of the PE modelling is provided in an accompanying methodological notes document.

### **Tariff/NTMs**

The IA states that 64 per cent of tariff lines will be eligible for tariff-free imports into India at the point the deal comes into force. After staging over 10 years, 85 per cent of tariff lines and 66 per cent of existing Indian imports from the UK will be eligible for tariff-free entry into India. For UK businesses and consumers, tariffs will be eliminated on 99 per cent of imports from India, providing more choice, quality and affordability on a range of Indian products. The technical annex describes the methodological approach to modelling the impacts of tariff reductions and non-tariff measures and its limitations.

### **Trade flows**

The IA explains that as a result of reducing trade barriers affecting UK-India trade, the FTA could result in some trade being diverted away from the existing trade partners of both the UK and India. For example, although UK exports to India increase by £15.7 billion as a result of the FTA, total UK exports to the world only increase by £6.5 billion. This indicates that £9.2 billion (59 per cent) of the increase in exports to India results from a reallocation of trade away from the UK's existing trading partners.

The IA analyses the impact of the FTA on the economies of other neighbouring and developing countries who may be affected by the lowering of trade costs between the UK and India. Although the analysis indicates limited impacts overall, long-term GDP is expected to contract relative to the baseline of no UK-India FTA in Nepal (-0.21 per cent) and Sri Lanka (-0.09 per cent) as a result of falling real household income leading to weaker investment. The IA notes how forthcoming changes to the Developing Countries Trading Scheme will make it easier for Low and Lower-Middle Income Countries to source inputs from neighbouring Asian countries while continuing to benefit from tariff reductions.

## **Economy and productivity**

The CGE modelling estimates that UK GDP could increase by around 0.13 per cent as a result of the agreement, which when applied to projections of UK GDP by 2040 is equivalent to around £4.8 billion per year in the long-run. For India, GDP is estimated to increase by 0.06 per cent (equivalent to £5.1 billion in 2040).

The sectoral results of the CGE modelling are presented clearly and indicate that 16 out of the 23 modelled sectors are estimated to experience a long-run increase in GVA as a result of the FTA, with the largest absolute increase in 'other services' (including, transport, water and dwellings). The IA could make the difference between the GVA estimates produced for sectoral impacts (and regional GVA estimates discussed below) and GDP estimates for national impacts clearer. The IA helpfully explains that the main driver of growth in the services sectors arises from higher demand within the UK from higher real wages and the requirements for services as intermediate goods. Although the remaining 7 sectors are modelled as experiencing lower GVA growth, the IA notes that these sectors may still grow over time, but by less than they may have done in the absence of the FTA. Overall, the analysis indicates that there would be little change to the sectoral mix of the UK economy.

The IA estimates that real wages in the UK could increase by 0.19 per cent, equivalent to £2.2 billion when compared to 2024 levels as a result of the FTA leading to resources being reallocated to more productive sectors. The modelling assumes fixed rates of employment and unemployment in the long-run, with all sectoral shares increasing or decreasing by less than 0.03 per cent. The IA acknowledges that there may be some adjustment to both wages and employment in the short-term as business activity reallocates across sectors of the economy; however, the IA refers to evidence indicating that such impacts are expected to be small relative to the gains from trade liberalisation.

## **Businesses**

The IA presents data suggesting there are 60,600 UK businesses exporting or importing goods and services to and from India. The IA explores the costs for businesses voluntarily choosing to utilise the FTA provisions and estimates potential one-off familiarisation costs to businesses of reading and understanding the FTA to be £19 million. For ongoing administrative costs, the IA notes that businesses may face costs associated with customs declaration forms and proving compliance with rules of origin, but, unlike previous FTA IAs, does not monetise these impacts. The analysis of familiarisation and ongoing costs to business would be improved by considering any relevant findings or evidence from FTAs that have already been implemented.

## **Consumers**

The IA presents a brief balanced assessment, based on theoretical arguments and empirical research, for how the FTA provisions could benefit UK consumers through increased consumer choice, better quality products, lower prices for imported goods and higher real wages. It also sets out how consumers may be negatively impacted if competition with businesses in India leads to a reduction in the availability of local

products and consumer income if local industries contract. The IA notes the extent to which consumers in the UK will benefit from reductions in tariffs and non-tariff barriers will depend on the rate at which lower costs are “passed through” from importing businesses to consumers in the form of lower prices, which in turn may depend on market competitiveness, the responsiveness of demand and supply, and the macroeconomic environment. The IA provides a brief discussion of how pass-through is affected by these factors, drawing on evidence from research and recent trade disputes.

### **Public sector**

The IA provides a limited assessment of the impact on the public sector, noting that there will be one-off public sector familiarisation costs for customs and government officials needing to read and understand the FTA text. These costs are expected to be met from existing resources and are not quantified within the IA.

## **Wider impacts**

### **Competition and innovation**

The IA does not provide a sufficient analysis of the impacts of the FTA on competition and innovation and lacks the robustness to evaluate fully the impacts. The IA notes that reduced trade barriers mean UK exporting businesses would be expected to benefit from increased price competitiveness compared to other trading partners and may also incentivise other businesses to enter the market. Some UK businesses will experience increased competition from Indian exporters which may lead to adverse impacts if local firms exit the market. However, the IA also states and cites evidence that greater import competition may lead to UK businesses becoming more efficient or adopting new innovations, in addition to providing them with access to cheaper intermediate goods from India. For future FTA IAs, the Department should explore ways to strengthen its analysis of competition effects and the impact of the FTA’s provisions on innovation. For intellectual property (IP) rights, the IA now provides a more detailed description and qualitative assessment of the impacts of the specific provisions within the FTA on UK businesses, for example, speeding up the process for UK patent applicants in India, although the mechanisms could be explained more clearly.

### **Environment**

The IA provides extensive consideration of the environmental impacts of the FTA. Following the initial review, the IA’s executive summary (and introduction to chapter 8) now highlights the more appropriate comparison of the increase in UK greenhouse gas (GHG) emissions as a result of the changes generated by the FTA to total UK emissions, rather than comparisons to global emissions. The IA estimates that UK GHG emissions increase by 0.8 MtCO<sub>2e</sub> (a 0.21 per cent increase relative to 2019) as a result of changes generated by the FTA. This increase in UK emissions is proportionately higher than the estimated growth in UK GDP of 0.13 per cent, suggesting that the growth prompted by the FTA may be significantly more emissions-intensive than the average level of economic activity in the UK. The IA provides additional context to the 0.21 per cent increase in UK GHG resulting from

the FTA by noting that between 2023 and 2024 there was a 4 per cent decrease in GHG emissions.

Separate modelling estimates that transport-related emissions arising from the increased trade flows between the UK and India could be between 1.3 MtCO<sub>2e</sub> and 2.5 MtCO<sub>2e</sub> higher from 2040. Although this represents a 43 to 49 per cent increase relative to the baseline for trade-related emissions, the IA qualifies this as a relatively small increase compared to the UK's total GHG emissions of 385 MtCO<sub>2e</sub> in 2023.

When presenting the impacts on GHG emissions in terms of MtCO<sub>2e</sub>, the IA (following the initial review) now states more clearly that the main results only include CO<sub>2</sub> emissions and not non-CO<sub>2</sub> emissions that are also GHGs. The IA explains that CO<sub>2</sub> emissions make up 84 per cent of the UK's total GHG emissions. The remaining 16 per cent of emissions (including methane and nitrous oxide) potentially have a more significant impact on global warming, implying that the 0.21 per cent change in UK GHG when expressed in MtCO<sub>2e</sub> terms could be an underestimate.

The explanation of the impact on GHG emissions would also be improved by converting the quantified impact into a monetised societal value using the techniques and carbon values outlined in the HMT Green Book's supplementary guidance.

For impacts on air quality, water quality, marine habitats, land use, waste management and biodiversity, the IA identifies the estimated GVA changes occurring as a result of the FTA in the sectors most closely linked to these environmental issues. For the UK, the growth in the most relevant sectors could lead to some risks to air quality, water quality and waste management, while the contraction of GVA in agriculture, forestry and fishing indicates there are unlikely to be additional risks to marine habitats, land use and biodiversity. The IA helpfully outlines the extent to which each of these environmental issues is an area of existing concern in both the UK and India and also refers to policies in place to raise standards.

### **Distributional/equality impacts**

The IA estimates that the FTA will lead to increased output across all nations and regions of the UK with an overall GVA increase of 0.10 per cent. In England, the West Midlands (0.13 per cent) and the North East (0.12 per cent) are expected to see the largest increases reflecting the relative concentration of manufacturing of motor vehicles, machinery and equipment in these regional economies. Some of the output gain in each region is offset by contractions in the textiles and apparel sectors which are more concentrated in the East Midlands.

The IA analyses whether there may be disproportionate labour market impacts for protected groups (including age, sex, disability and ethnicity) from the changes in sectoral employment resulting from the FTA. Across many of the protected groups, the analysis indicates that individuals are less likely to be employed within the sectors expected to expand relative to their share in overall UK employment. The IA notes that workers who remain in sectors with a declining employment share may not be adversely affected if higher productivity leads to higher wages and while those who shift sectors may incur transition costs, these may be offset by higher long-run wages.

### **Small and medium sized enterprises (SMEs)**

The IA presents a relatively high-level and limited assessment of the impacts on SMEs, noting that existing trade regulations, which may be simplified as result of the FTA, are likely to account for a higher proportion of total costs compared to larger businesses. The IA estimates there were 7,800 SMEs exporting goods to India in 2023, accounting for 18 per cent of the value of UK goods exports to India. SMEs account for more than 99 per cent of all private sector businesses in the UK and form an important part of the supply chain for larger businesses who trade internationally. For the sectors analysed within the IA, SMEs are most concentrated in business services (22.2 per cent of all SMEs), public services (16.3 per cent), wholesale and retail trade (16.2 per cent) and construction (15.8 per cent); output in these sectors is expected to increase as a result of the FTA. However, 2.7 per cent of SMEs (accounting for 89.5 per cent of turnover) are in the agriculture, forestry and fishing sector which is expected to contract against the baseline. The IA would benefit from providing more discussion on the range of impacts on SMEs within these sectors and developing further the assessment of how factors including administrative costs, access to finance and profitability affect their capacity to adjust to the new trade patterns over the medium and long term.

## **Monitoring and evaluation**

The RPC considers the monitoring and evaluation (M&E) arrangements for the UK-India agreement to be satisfactory.

The Department intends to publish a monitoring report approximately two years after entry into force analysing early trends in UK-India bilateral trade and the extent to which short-term changes in trade flows are attributable to the agreement as well as providing an overview of the work of the committees established to facilitate co-operation on implementation and enhance utilisation.

The Department will also publish an ex-post evaluation approximately five years after entry into force consisting of econometric analysis, surveys, in-depth interviews and sectoral deep dives. The M&E plan helpfully sets out a number of high-level questions to be addressed including whether the agreement is being implemented as intended and how it is delivering benefits for the UK economy. For both the monitoring report and evaluation, the M&E plan identifies some of the key data sources that will be used, but would benefit from providing more detail on the techniques that will be used to analyse the data in order to offer insights against each of the evaluation questions. In addition, the M&E plan could reflect on any lessons learned from undertaking M&E activities for existing FTAs, for example the appropriateness of data sources and sample sizes for surveys.

The IA indicates that a follow-up evaluation report may be published around ten years after implementation to revisit impacts at a later stage and explore longer-term outcomes such as investment, regulatory alignment and supply chain adjustments. The RPC welcomes the introduction of a longer-term evaluation to the M&E plan, which was not included in the M&E arrangements for previous FTAs. Given the IA's

modelling of FTA impacts are assumed to be realised over a period of 10 to 15 years, the RPC believes that conducting this evaluation will enhance the rigour of the M&E arrangements and offer valuable insights into the longer-term impacts of FTAs.

The M&E plan would also benefit from providing more detail on how the Department intends to assess the UK-India agreement as part of the suite of FTAs the UK has negotiated in order to understand the cumulative impacts of the deals and learn lessons to inform negotiations of future agreements.

## **Other comments**

Some of the suggested areas for improvement in this opinion were included in RPC opinions for previous FTA IAs, for example: the inclusion of scenario analysis for global uncertainties, more discussion of adjustment mechanisms, and more detailed analysis of the range of impacts on businesses, consumers, competition and innovation. The Department should incorporate the RPC's suggestions for improvement in this opinion into future FTA IAs in order to improve the validity of its evidence and analysis.

### **Regulatory Policy Committee**

For further information, please contact [enquiries@rpc.gov.uk](mailto:enquiries@rpc.gov.uk). Follow us on X [@RPC Gov UK](#), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc).