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India-UK CETA: Estimating Market Access Opportunities for India

Sabeer V C[1], Ninad Shah[2] and Sunitha Raju[3]

ABSTRACT

We analyse the potential market access opportunities provided by CETA structured into *two stages* : (i) identify untapped export potential in India-UK bilateral trade and assess their export prospects; (ii) analyse how India's exports respond to tariff reductions based on CES demand function. Together these dimensions explain why India's global export performance for these products has not translated into expansion in UK market. We identified 140 export potential products and based on spatial-infrastructural perspective, our results show that tariff liberalization only provides a favourable price environment but India must build export linkages and strengthen supply chain capacities to convert this potential into tangible trade gains. The simulation results show that CETA results in an increase of USD 1.59 billion gain in India's exports and the largest gains are concentrated in *Textile and Apparel* (HS 61–63), Aluminium (HS 76), Prepared food products (HS 20) and Cereal preparations (HS 19) with modest gain in other sectors. For unlocking substantial export potential gains it is necessary to overcome both demand- and supply-side hurdles. Exporters must align with UK market requirements, while policymakers should focus on facilitating B2B partnerships, supporting compliance with UK standards, and addressing non-tariff barriers.

JEL Classification: F13, F14, F17

Keywords: Trade Policy, FTA, CETA, Partial equilibrium

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1. Introduction

The Comprehensive Economic and Trade Agreement (CETA) was signed between India and UK on 24 July, 2025 and to be enforced in July 2026. For both India and UK, this bilateral cooperation is expected to expand market access for goods & services trade, open sectoral growth opportunities and strengthen cross border ties. By 2040, the projected economic impact of CETA is to increase the total bilateral trade by USD32.2 billion, amounting to an increase of 38.8%. The gains from this bilateral trade expansion will increase India's GDP by 0.06% (USD6.87 billion) and expand India's exports to the world by 59.4% (USD21.13 billion). The gains for UK in terms of GDP growth is USD6.1 billion, exports to India is USD19.8 billion and increase in real wages is USD2.92 billion (UKIBC, 2025).

In addition to the significant economic gains, CETA provides opportunity to address the trade fragmentation risks of increasing geopolitical distance[4]. Amid the rising concerns of national security, rising protectionism especially in technologically advanced sectors, dependence on foreign suppliers for critical products and surge in trade restrictions measures, trade policy cooperation accelerated to mitigate the trade policy uncertainty. "Friend shoring" emerged as an important instrument of "de-risking". Empirical evidence shows that the elasticity of geopolitical distance turned negative in 2018 and has steadily increased since then. Estimates suggest that a 10% increase in geopolitical distance reduces bilateral trade flows by 2.5%

[4] The measure of geopolitical distance is based on UN General assembly voting patterns. Broadly, geopolitical alignment is grouped into US and China based on the shifting trade corridors that are reshaping industries. Between 2021-2023, negative shifts in global trade was in China-US, China-Hong Kong and US-China trade corridors and positive shifts in Mexico-US, Canada-US, US-Mexico, US-Canada, and Germany-US trade corridors (McKinsey, 2025). The main channel through which geopolitics is shaping trade flows is through "Friend-shoring". General Equilibrium trade models have illustrated that restrictions on trade on countries belonging to opposing geopolitical blocs entail significant economic costs in terms of lower trade, lower welfare and higher prices (Attinasi et al, 2023, Bolhouis et al, 2023, Felbermayer et al, 2023)

suggesting trade among geopolitically distance countries decreased while trade between like-minded countries increased since 2018 (Bosone & Stamato, 2024).

Against this background, trade policy cooperation between India and UK points to the concerns of the shifting global trade dynamics. From India's perspective, high export dependency on the US and the tariff uncertainty has made it necessary to diversify export markets and strengthen India's position in international trade networks to sustain growth rate. For UK, the exit from EU's Single Market following Brexit in 2020, necessitated developing UK's trade relations with the rest of the World. As such, UK concluded Preferential/FTAs with 74 countries and territories plus the EU. Given the high margin of preference and India being the world's 4th largest economy, CETA provides UK the market access opportunities and export diversification across markets and products. Further, it provides a foothold to UK in the Indo-Pacific region which accounts for 40% of world GDP (Department for International Trade (2022), Department for Business & Trade (2025)).

In the light of these dynamics, the agreement builds synergies in Manufacturing, Services, and Investments. Beyond the tariffs, the chapters on gender, labour and sustainability draws on the trade sensitive issues globally. The agreement also has provisions for accessing Government procurement which has significant business opportunities for both countries. The Technical and Regulatory cooperation built into the agreement is expected to promote innovation across sectors (agriculture, health, advance manufacturing and clean energy). Trade facilitation initiatives in terms of Transparency, Anti-Corruption, Administrative and Institutional provisions are aimed at reinforcing international obligations on bribery and address these global issues within the trade and investment context. The chapters on Digital Trade, IPRs, Consumer Protection are expected to facilitate India's global competitiveness (Department for Business & Trade (2025)).

Two major initiatives, in addition to the FTA, that entail significant positive outcomes are reciprocal Double Contributions Conventions (DCC) and Technology Security Initiative (TSI). The DCC will operate on similar principles as UK's Social Security Agreements with other countries. The TSI focuses on enhancing bilateral collaboration in critical and emerging technologies like AI, Telecommunications and Semi-conductors. It aims to strengthen joint research, innovation and investment in key sectors.

2. Bilateral Trade Flows : An Analysis

The total trade in goods between India and UK, over the last decade, increased from USD 14.3 billion to USD 20.5 billion registering an annual growth of 4.1% (Table 1(a)). During the same period, exports to UK increased from USD 8.9 billion to USD14 billion while the imports from UK increased from USD 5.4 billion to USD 6.5 billion (see Figure 1). As a result, India's registered a positive trade balance with UK which increased from USD3.5 billion in 2015 to USD 7.4 billion in 2024 (see Figure 2).

The same trend is evident in services trade between India and UK. Over the last decade, the total trade in services between India and UK increased from USD 13.6 billion to USD 33 billion registering an annual growth of 11.8% (Table 1(b)). India's services exports increased from USD 8 billion in 2015 to USD 19.8 in 2023 while the services imports from UK increased from USD 5.6 billion to USD 13.2 billion during the same period (Figure 1). As the increase in exports is higher than the imports, the services trade surplus increased from USD 2.4 billion to USD 6.7 billion during 2015 and 2023 (Figure 2).

Structurally, there have been significant shifts in the composition of Goods and Services trade flows between India and UK over the last decade . In the case of Merchandise trade flows (Figure 3), in 2015, the dominant exports were Apparel products (HS 61&62) followed by Machinery (HS 84) and Gems& Jewellery (HS 71). By 2024, the dominant exports are Electricals (HS 85), followed by Machinery(HS 84), Chemicals (HS 27), Gems & Jewellery (HS 71). This compositional shift towards non-traditional manufactures implies shifts in India's manufacturing competitiveness. Against this, for imports from UK, the structural shifts are not significant (Figure 4). The major imports, over the decade, are Gems& Jewellery (HS71), Machinery (HS84), Iron & Steel (HS71) and Beverages (HS 22).

In the case of India's Services exports, Other Business services dominated followed by information services and travel. Structurally, over the reference period, there were no significant shifts except that travel dominated followed by Other business services and Transport in 2023 (Figures 5 & 6).

3. Market Access Opportunities for India

Considering the significant structural shifts in India's exports to UK, we analyse the potential market access opportunities provided by CETA structured into *two stages* : (i) we assess India's product-specific export prospects and identify untapped export potential in India-UK bilateral trade; (ii) A simulation analysis of India's exports to UK using a CES (Constant

Elasticity of Substitution) demand function wherein we analyse how India's exports respond to the tariff changes under CETA by comparing tariff preferences to competing countries in UK market.

3.1 Identification of Export Potential Products : Methodology

The universe of products that are either exported by India or imported by UK covering 5593 HS-6 digit products have been taken for analysis. From these, 780 products have been identified as 'Economically Significant Products' based on two filters : (i) India's export supply capability measured by the average world exports of each product for the years 2022-2024; (ii) UK's import market size measured by the average world imports of each product for the years 2022-2024. The products India exports to the world are arranged in descending order based on their value and the top 25th percentile products are selected. Similarly, the products UK imports from the world are arranged in descending order based on their value and the top 25th percentile products are selected. On the basis of this dual criteria, 780 'Economically Significant Products' are defined.

To understand the bilateral dependency at the product level, we constructed 'Export Dependency' and 'Import Dependency' indices. The ratio of India's average exports of a given product to the UK over India's total average exports to the world over 2022-2024 is defined as 'Export dependency' ratio. This index captures India's export reliance on the UK market at the product level.[5]

$$ED_k = \frac{X_k^{India \rightarrow UK}}{X_k^{India \rightarrow World}}$$

'Import Dependency' is the share of the UK's average imports of a product that is sourced from India over 2022-24 relative to the world. This reflects India's prominence as a supplier in the UK's import structure.

$$ID_k = \frac{M_k^{UK \leftarrow India}}{M_k^{UK \leftarrow World}}$$

Each index ranges from zero to one, quantifying bilateral dependence precisely.

3.1.1 Classification of Products Based on Potential Risk matrix

[5] UK's and World's imports from India have been used as a proxy for India's exports to UK and World respectively in the entire analysis.

The identified 780 'Economically Significant Products' are classified into four dependency scenarios using the 25th percentile (bottom quartile) and 75th percentile (top quartile) values of Export Dependency and Import Dependency as thresholds. Products with export or import dependency values above the 75th percentile are considered to exhibit high dependency and are thereby classified as belonging to the top quartile of bilateral reliance. Conversely, those with dependency values below the 25th percentile are designated as low dependency, or belonging to the bottom quartile. Products with dependency values falling between these percentile thresholds are Intermediate category, reflecting moderate bilateral engagement.

Table 2 summarises the classification of products into the four main categories based on the combination of Export Dependency (ED) and Import Dependency (ID).

- Low ED & Low ID (Untapped Potential): Products with low bilateral significance represent opportunities for expansion, contingent on India's supply capacity and UK demand.
- High ED & Low ID (Concentration Risk): India relies heavily on the UK as an export destination, while the UK dependency is limited, creating a concentration risk and underscoring the need for diversification strategies.
- Low ED & High ID (Conditional Advantage): The UK depends on India as a key supplier, but India does not extensively rely on the UK market. India's advantage here is conditional, potentially threatened if the UK develops alternative sourcing options.
- High ED & High ID (Mutual Reliance): Both countries are substantially reliant on each other for the product in question, reflecting deep trade integration but limited scope for additional growth without sectoral diversification.

Products with either or both dependency indices between these percentile thresholds (25-75) are categorized as Intermediate, indicating moderate bilateral dependence without acute strategic leverage or risk. Threshold (25^{th}, 50^{th} and 75^{th} percentile) values have been presented in Table A1 in the appendix A1.

3.1.2 Distribution of Identified Products Across Dependency Categories

Among the 780 economically significant products, approximately 33% fall into the four extreme dependency quadrants, namely, "Untapped Potential" and "Mutual Reliance"

categories. The remaining 67% are intermediate products, reflecting a moderate bilateral trade engagement.

Table 3 presents the distribution of products across dependency categories along with the average trade values. The "Untapped Potential" category accounts for the largest share of products in the extreme quadrants, indicating substantial export opportunities. The "Mutual Reliance" quadrant also constitutes a significant share, reflecting strong bilateral integration.

UK's total imports were USD 796.22 billion, of which USD 14.66 billion worth imports were from India. The economically meaningful products (780 HS6) accounted for 64% UK's total imports and 79% of India's total exports. Further, UK's total imports from World for products under "Untapped Potential" category stood at staggering USD 147.52 billion (18% of its total imports), highlighting a large untapped market for Indian exports.

Table 4 displays the Potential-Risk Matrix cross-classifying products by export and import dependency categories. It reflects a balanced grouping of products across low, intermediate, and high dependency tiers for export and import, facilitating a nuanced understanding of bilateral trade dynamics. The matrix shows concentration in the low-low and high-high cells, consistent with the dominance of "Untapped Potential" and "Mutual Reliance" quadrants from Table 3. This suggests the twin focus areas of export expansion in underexploited sectors and reinforcing mature bilateral integration. Intermediate cells capture moderate dependency and warrant continued observation.

These results provide a structured framework for identifying export opportunities, managing sectoral risks, and supporting stable trade relations within the India-UK bilateral economic partnership[6].

Table 5 shows distribution of 140 "Untapped Potential" products by HS chapters. Products from India's major exporting sectors such as HS-84 (machinery), HS87- Automobiles, HS85- electrical equipment, HS30- pharmaceuticals, HS28, 29- chemicals etc., fall under the untapped potential category. A similar table summarising distribution of "Mutual Reliance" products by HS chapters has been given in the appendix A2. Also, tables showing products under

[6] Tables of distribution of 'mutual reliance products' by HS Chapters are provided in the appendix along with the list of products belong to 'concentration risk' and 'conditional advantage'.

"Concentration Risk" and "Conditional Advantage" have been given in appendix A3 and A4 respectively.

3.2 Diagnosis for Untapped Export Potential Products

The aim is to understand whether the observed untapped potential arises from **demand-side constraints** in the UK market, **supply-side limitations** within India, or **logistical frictions** impeding bilateral trade integration.

The analysis of *demand-side constraints (UK Import market)* covers: (i) UK's top 5 import source countries and their market shares; (ii) compare the characteristics of the leading suppliers in terms of geographic proximity, FTAs with UK, tariff rate, import regulations; (iii) Logistic positioning in terms of assessing whether UK imports are from nearby European markets or distant non-European countries. Together, these factors explain whether India faces strong competition or structural barriers in UK's import market.

The *Supply side analysis (India's Export Orientation)* covers: (i) India's top 5 export destinations for each product; (ii) market Orientation in terms of concentration in specific regions (Asia, Middle-East, Africa) and their characteristics like geographic proximity, FTAs and import regulations;(iii) Logistic positioning in terms of whether India exports to distant destinations. Together these dimensions explain why India's global export performance for these products has not translated into expansion in UK market.

Logistics Concerns captures the geographical and infrastructural feasibility of expanding India-UK trade in a given product. The premise is that if both countries already trade similar products over long distances, the required logistics, storage, and cold-chain systems are likely to be in place, reducing infrastructural barriers to bilateral trade expansion. Four distinct categories are identified:

- **Low Logistic Concern:** Both India and the UK already engage in long-distance trade for the product, suggesting that logistics, storage, and cold-chain infrastructures are established, minimizing barriers to bilateral trade expansion.
- **Demand-Side Logistic Concern:** India exports the product to distant non-Asian destinations, but the UK primarily sources it from nearby European countries, indicating regional concentration in UK demand despite India's proven global reach.

- **Supply-Side Logistic Concern:** The UK imports the product from non-European countries, showing demand exists for long-distance suppliers, but India's exports remain concentrated in nearby Asian markets. The challenge here is India's limited global orientation.
- **High Logistic Concern:** Neither India nor the UK engage in long-distance trade, implying higher logistical barriers or product perishability, which limits immediate potential for trade expansion despite tariff liberalization.

This classification adds a spatial-infrastructural perspective to the analysis of untapped export potential. By distinguishing logistical from market-based barriers, it facilitates a more comprehensive interpretation of how tariff reductions, competitive dynamics, and existing trade patterns interact in shaping India's export prospects.

4. Sectoral Analysis

4.1 Agri Food Sector

Of the identified 140 untapped export potential products, *24 products fall under the agri-food sector* (HS 1-24), highlighting specific opportunities for India within this strategically important industry.

The UK import market for these selected agri-food, animal, and processed products is highly concentrated, dominated by a limited number of suppliers, primarily from the countries with longstanding FTAs with the UK. Countries such as Ireland, Germany, the Netherlands, and Poland command substantial import shares across most product categories. non-European suppliers - China, the United States, and Brazil - feature among the UK's top five import sources for only a few products. Notably, only two products - raw cane sugar and bananas - are sourced primarily from non-European, developing-country suppliers, highlighting the geographical proximity and regulatory compatibility advantage enjoyed by India's competitors in the UK market.

India's export orientation for these products remains geographically concentrated toward West Asian, and East Asian markets, which together account for the majority of India's export destinations in the agri-food segment. These regions offer advantages such as shorter logistics chains, similar product standards, and preferential trade relations, making them natural export markets for Indian producers.

Against the UK market structure and India's export orientation outlined above, the evolving tariff landscape is a critical determinant of whether India can convert latent demand into actual trade flows. CETA has substantially reshaped this landscape. Among the 24 potential products identified as untapped export potential, tariff reductions on 14 products were significant- from 0.5% to 50.78% to zero, thereby generating heterogeneous preferential effects across products. Prior to the agreement, seven products had zero tariffs while three products retained positive tariffs.

Beyond tariffs, *Logistics Concerns* are important for market penetration. When tariff reductions under CETA are considered alongside *Logistic Concerns* and the existing bilateral trade relationship, the product-level implications become clearer. Frozen and fresh boneless bovine meat (HS 020230 and 020130) receive the largest tariff cuts of 50.78% and 42.94%, respectively, creating a strong price advantage over Brazil and Australia. However, the modest import shares of these competitors - 2.98% for Brazil and 2.73% for Australia - combined with supply-side logistic concerns suggest that immediate market penetration may remain limited. Moreover, the UK currently does not import these products from India, indicating that the bilateral trade relationship in this segment is yet to be established. Thus, while tariff liberalization provides a favourable price environment, India must first build export linkages and strengthen supply chain capacities to convert this potential into tangible trade gains.

Similarly, dairy produce (HS 040510) and cigarettes (HS 240220) experience significant tariff reductions of 36.85% and 23.4%, respectively. Yet, these cuts merely create a level playing field with dominant zero-tariff European suppliers rather than conferring a clear price advantage. The presence of demand-side logistic concerns, combined with the absence of reported UK imports from India, further dampens the immediate prospects of leveraging such substantial tariff liberalization in these two product categories.

By contrast, wheat (HS 100199) benefits from a tariff reduction of 27.57%, compared to Canada's prevailing tariff of 3.45%. Given Canada's considerable 33.19% market share, India is positioned to gain a meaningful preferential edge and significant import substitution potential in this segment. However, despite this advantage and the UK's existing but limited trade relationship with India, the presence of supply-side logistic concerns underscores the need for

targeted export facilitation measures and infrastructure improvements to fully realize this opportunity.

Natural honey (HS 040900) benefits from a 16% tariff reduction vis-à-vis China and Mexico, both of which currently face tariffs of 16% and together hold 47.3% of the UK market. This offers a realistic pathway for India's market expansion under conditions of lower logistic concern. The fact that the UK already imports honey from India adds further optimism, suggesting that the challenge lies less in market entry and more in intensifying trade volumes through improved competitiveness.

Bananas (HS 080390) enjoy a tariff reduction of 14.56%, creating a preferential margin over Colombia, Costa Rica, and Ecuador, which currently face a 5.43% tariff and collectively control 58% of the UK market. Although India's existing exports of bananas to the UK are limited, the presence of a trade relationship provides a positive base for leveraging the new tariff advantage. However, the persistence of supply-side logistic concerns which could be linked to cold-chain and long-distance transport requirements, may constrain immediate gains.

Maize starch (HS 110812) occupies a somewhat similar position, with a 14.42% tariff reduction vis-à-vis the United States, which faces the same tariff rate and accounts for 10.62% of the UK market. Despite this preferential margin, the product face supply-side logistic concern, and the UK's reported imports from India remain meagre, indicating the need for improved supply chain integration.

Fish fillets (HS 030489) receive a moderate tariff reduction of 8.04%, offering a preferential advantage over China and the United States, which face tariffs of 12.56%. Although these competitors collectively hold a modest 3.02% share of the UK market, India's existing trade relationship and low logistic concern make this a promising segment for gradual market expansion under the new tariff regime.

Preserved potatoes (HS 200410) and fats and oils (HS 150420) also experience modest tariff reductions of 8.5% and 6.67%, respectively. In both cases, the effect is primarily field-levelling rather than preferential. For preserved potatoes, an existing trade relationship with the UK exists, but high logistic concerns, likely due to perishability and bulk transport issues, limit short-term potential. Conversely, in the case of fats and oils, logistic concerns are minimal, yet there is currently no reported import from India, suggesting that efforts must focus on establishing initial market linkages.

A 4.38% tariff reduction on fresh potatoes (HS 070190) provides a marginal preferential advantage over Israel, which faces a 2% tariff and commands 18.5% of the UK market. However, India currently lacks any trade relationship with the UK for this product, and the presence of supply-side logistic concerns further raises doubts about India's ability to capitalize on this limited advantage.

Finally, chocolate and other food preparations (HS 180690) and dried grapes (HS 080620) experience moderate tariff reductions that primarily neutralize previous disadvantages rather than create explicit preferences. The former benefits from a 4.5% reduction but faces demand-side logistic concerns, as UK imports are dominated by nearby European suppliers with strong brand presence. The latter, dried grapes, face lower logistic concerns but only a negligible reduction of 0.5%, which merely maintains parity with existing zero-tariff EU suppliers. Despite the UK's existing trade relationship with India in both products, the scope for substantial expansion remains limited under current market conditions. A table summarising the above analysis for each product has been given in appendix A5.

4.2 Vehicles parts and Accessories (HS 87)

Out of the identified 140 untapped export potential products, 17 products are under this HS chapter with 11 products getting a tariff advantage under CETA. Five products from this chapter already had duty free market access into UK and one remaining product is under Tariff Rate Quota (TRQ).

Table 6 details the 17 products under HS 87 along with their trade values and tariff reductions. The reduction in tariff is highest for HS 870210- public transport vehicles, followed by products under HS 8703- vehicles of different cylinder capacities, products under HS 8704- transport vehicles and HS 870600- chassis with engine. India holds a share (3.53% for HS 870321 and 3.60% for HS 870322) in world exports. A reduction is tariff creates an opportunity for India to target UK as a gateway into the European markets.

Public Transport Vehicles (HS 870210) has received the largest tariff cuts of 8.85%, which gives India a clear advantage over China's prevailing tariff of 13.00%. China is third largest supplier for this product in UK as Turkey leads the market with 51.64% market, on average during 2022-24. India attains a level playing field with tariff reduced to nil, however

other major suppliers such as Turkey and Spain already received duty free market access for this product in UK. Furthermore, Turkey is the third largest exporter of this product in the world, posing a significant competition to enter UK's market. UK's imports from India for this product was practically zero and the bilateral trade relationship in this segment is yet to be made. Middle eastern countries of UAE, Saudi Arabia and Qatar are India's major export markets with 34.16, 15.48 and 10.39% of total exports going to these three markets respectively.

Vehicles with different cylinder capacities coming under HS-8703 have received a tariff cut from 6.50% to 0% after the CETA. For vehicles with capacity 1500-3000cc (HS 870323) receive a tariff advantage over Japan which is the third largest supplier to UK after Germany and Slovak Republic. The positive impact may be limited due to existing EU suppliers holding half of UK import market for this product. Further, India's major markets for this product include Mexico and USA, accounting for about 47% of total exports from India. For all other vehicles (HS 870321 870322, 870331 and 870332), India's tariff has reduced from 6.50% to 0%, providing a level playing field but not an advantage as all major supplying markets also have duty free access to UK's market. Vehicles under HS 870340 receive no tariff preference for the first five years and from the 6th year onwards, tariffs on them will also be reduced from 6.50% to 0% with a import quota of 17,600 units. Various qualitative factors like consumer preferences, safety standards, design and size of vehicles etc. are important for vehicle exports, and to utilize this tariff cut on vehicles, Indian manufacturers must align with the requirements of UK market.

For chassis fitted with engines (HS 870600) received a tariff reduction from 5.57% to 0%, giving an edge over China that has a tariff of 9.50%. Further, China is also the largest supplier to UK for this product, accounting for about 63% of its total imports and a tariff advantage over China after the CETA can help India enter UK's market. However, again India's existing markets are all non-European countries such as UAE, Bangladesh and USA with 30.15%, 19.14% and 19.13% share in India's total exports. Notably, India is fourth largest exporter of this product in the world with 10.77% share in total world exports, thus a reduction in tariff along with an edge over market leader country China should help India expand its exports of this product in UK.

After CETA, transport vehicles (products under HS- 8704) receive a duty-free market access into UK where tariff is cut from 5.20% to 0%. However, out of 4 untapped potential

products under HS- 8704, tariff cuts on three products mainly levels the field for India vis-à-vis other major suppliers as they already had duty-free market access. India gains a tariff advantage over Japan for transport vehicles (HS- 870431) which currently holds 11.97% of UK import market. This product receives a tariff cut from 5.20% to 0% whereas tariffs on imports from Japan is 5.10%, presenting an opportunity to India. Current export markets for this product include South Africa and Saudi Arabia, each having share of 27.30% and 18.19% in total exports from India, respectively.

Other untapped potential products such as vehicle parts (under HS- 8708) and cycle parts (HS 871499) do not get any new tariff advantage as they already had duty-free market access before the CETA. Mostly the EU members such as Germany, Hungary, France, etc., dominate the UK's import market whereas India's major export markets include USA, Korea, Rep., and Turkey.

4.3 Plastics, Rubber and Articles (HS 39)

Of the identified 140 untapped potential products, 16 products fall under HS-39, wherein tariff staging category "A" will be applied and UK will allow duty-free market access for Indian goods. Of these, tariff reduction will be realized for 8 products and for rest the tariff was already 0% before the agreement. Therefore, we analyze these 8 products in detail. Table 7 ranks products under this HS chapter as per the tariff reduction. All these products now have duty-free access to UK, wherein Propylene (HS- 3902) received the largest tariff cut of 2.50%, followed by Ethylene polymers (HS- 3901), Polyamides (HS- 3908), and Polyesters (HS- 3901).

For these products, UK market is mostly dominated by EU members, especially Germany, Belgium, Netherlands, France etc., while for certain products, USA is also a large supplier. Since majority of suppliers are EU members, they also benefit from duty-free access to UK's market and for such products, the CETA just provides a level-playing field to Indian goods. However, for certain goods where USA and China are among the top suppliers, India will now have a tariff advantage as UK levies positive tariff on both these countries. For Ethylene polymers (HS- 390110 and 390190), goods from US are levied with 6% and 5.50% tariff, and US' market share is 7.52% and 11.02%, respectively. Similarly, for Polyamides (HS- 390890), US has 6% tariff where it is the largest supplier with market share of 61.05%. For such products, a tariff cut for India can provide an opportunity to enter the UK market.

India's major export markets for all the 8 products are non-European countries. For the two products where India now has a tariff advantage over US and China, India's major markets are UAE, China, USA and Saudi Arabia. The tariff advantage may incentivize the exporters to shift their orientation towards UK and subsequently to other European markets.

4.4 Electrical Machinery and Equipment (HS-85)

Of the identified 140 untapped potential export products, 11 products fall under this chapter. All the products fall under tariff staging category "A", meaning they will receive duty-free market access from the date CETA comes into effect. However, all the products already had 0% tariff before the agreement, implying no real tariff advantage is possible.

Table 8 details the trade position of these products for India vis-à-vis world and UK. From India's perspective, photosensitive semiconductor devices (HS-854143), Electric accumulators (HS-850710), Reception and transmission apparatus (HS-852990), Boards, panels, consoles, desks for electric control (HS-853720) etc. are major exported products. UK's import market for photosensitive semiconductor devices, Reception and transmission apparatus, Television cameras (HS-852589) etc. is significant. However, China being the largest global supplier to the world, it emerged as a major supplier to UK.

For the above electrical products, UK's market is concentrated with few suppliers having large market shares. Prominent suppliers are China, Japan, Vietnam, and Germany. Apart from China and USA, all other suppliers already receive a duty-free market access for these products. Even for China and the United States, exports are subject to tariffs of around 1–2%.

Against this, India's supply position globally is also concentrated in markets like UAE, USA, Vietnam etc. Further, for Radio navigational aid apparatus (HS- 852691) and Electronic integrated circuits (HS- 854239), India's top markets are European countries- Hungary and Lithuania, respectively. For Electrical apparatus (HS- 854143), which is also the largest export product out of the 11 untapped potential products for India, almost all of this export goes to USA (97.68%). Since India already has a duty-free market access into UK, exporters may be incentivized to focus on this market to counter the adverse impact from possible decline in USA market.

4.5 Machinery and Mechanical Appliances (HS 84)

Machinery and Mechanical appliances (HS- 84) tops the list with 18 products being identified as having untapped potential. All these products come under tariff staging category of "A", implying that they do not get any new tariff advantage as tariffs were already 0 before the agreement. Table 9 summarizes the size of UK market along with India's total exports of these products.

For different products and product varieties, UK relies on different supplying countries. For Engines (HS- 840734 and 870820), major suppliers to UK market are EU members like Germany, France and Netherlands. US is also a large supplier for various products wherein Pumps and liquid elevators (HS- 841381) have a market share of 51.60%, Air conditioning machines (HS 841582) have a market share of 51.21%, Machines parts and accessories (HS 848690) have a market share of 42.49%. Asian countries such as China and Japan are major suppliers for Fans (HS- 841451), Air conditioning machines (HS- 841510), Refrigerators (HS- 841821), Mechanical appliances (HS- 842429), Units of automatic data processing machines (HS- 847180) and Machinery; parts and accessories (HS- 847330). For all such products (under HS 8415, 840734, 840820) where major suppliers to UK include China, USA or Thailand, India now has a tariff advantage as exports of these countries attract positive tariffs in the range of 1-3.75%.

From India's supply position, India's major export markets include Turkey, Thailand, Indonesia and Vietnam for Engines (HS- 840734 and 870820); USA, UAE and Thailand for Pumps and liquid elevators (HS- 841381); UAE, Saudi Arabia, Netherlands and USA for air conditioning machines (HS 841510, 841581 841582, 841583). For air conditioning machines and Units of automatic data processing machines only, India's major export market includes any European country. Thus, CETA provides opportunities for India to diversify export markets and integrate into Global Value chains.

5. Simulation analysis of India's Exports to UK

To estimate how the United Kingdom's (U.K.) demand for Indian exports responds to the tariff changes introduced under CETA, we employ a partial equilibrium model based on constant elasticity of substitution (CES) preferences. Although this agreement directly alters tariffs only on imports from India, we develop the framework to also accommodate potential scenarios in which the U.K. revises its tariff policy for other countries, for instance, by entering into similar

trade agreements with additional partners[7]. In this framework, imports from India and other suppliers are treated as imperfect substitutes. This approach is well suited for analysing tariff effects at the disaggregated product level (HS-6) and captures both India-specific and third-country tariff changes.

5.1 CES Demand Function And Counterfactual Demand

We assume that U.K. importers allocate their foreign demand across countries according to a constant elasticity of substitution (CES) function. The demand for Indian products by U.K. is specified as:

$$D^{\text{IND}} = A \cdot \left(\frac{P^{\text{IND}}}{P^{\text{ROW}}} \right)^{-\sigma}$$

Where:

- D^{IND} denotes U.K. demand for Indian products,
- A is a Scaling parameter (e.g., initial demand level or normalization constant),
- $P^{\text{IND}}$is the Price of Indian product,
- P^{ROW} is the CES price index of competing suppliers from the rest of the world, and
- σ is the elasticity of substitution across suppliers

In this framework, U.K. import demand for Indian products depends on India's price relative the price index of competing suppliers and the degree of substitutability between sources (Armington, 1969; Hallren, & Riker, 2017; Weinstein, 2016).

To assess the impact of the CETA and associated tariff changes on U.K. import demand from India, we simulate a counterfactual demand scenario using the CES framework. The change in demand (ΔD^{IND}) is expressed as:

$$\Delta D^{\text{IND}} = D_{\text{cf}}^{\text{IND}} - D_{\text{base}}^{\text{IND}}$$

[7] Although the framework is general, in the empirical analysis we consider is only a special case - currently the actual scenario - where the U.K. does not alter its tariff policy toward other countries. This will be discussed in this section.

Where:

- $D_{\text{cf}}^{\text{IND}}$ is the counterfactual demand after the tariff-induced price change and,
- $D_{\text{base}}^{\text{IND}}$ is the observed (baseline) demand for Indian goods.

The counterfactual demand is calculated as:

$$D_{\text{cf}}^{\text{IND}} = D_{\text{base}}^{\text{IND}} \cdot \left(\frac{\frac{P_{\text{cf}}^{\text{IND}}}{P_{\text{cf}}^{\text{ROW}}}}{\frac{P_{\text{base}}^{\text{IND}}}{P_{\text{base}}^{\text{ROW}}}} \right)^{-\sigma}$$

Where:

- $P_{\text{cf}}^{\text{IND}}$: Price of Indian exports to the U.K. in the counterfactual scenario
- $P_{\text{base}}^{\text{IND}}$: Price of Indian exports to the U.K. in the baseline year
- $P_{\text{cf}}^{\text{ROW}}$: CES composite price index of imports from all other suppliers in the counterfactual scenario
- $P_{\text{base}}^{\text{ROW}}$: CES composite price index of imports from all other countries in the baseline year.
- σ : Elasticity of substitution across suppliers.

The CES composite price index P^{ROW} is constructed as:

$$P_{\text{CES}}^{1-\sigma} = \sum_i s_i \cdot P_i^{1-\sigma}$$

with

$$s_i = \frac{X_i}{\sum_j X_j}$$

Where:

- s_i : Market share of exporter i in total U.K. imports in the baseline period
- P_i : Price of imports from exporter i
- X_i : Value of U.K imports from exporter i

This formulation enables us to simulate how a change in India's tariff-inclusive export price, relative to the CES composite price index of its competitors, affects U.K. demand under a given elasticity[8].

5.2 Modified CES Formulation: Tariff based Counterfactual Demand

[8] The elasticity parameter is taken from Fontagné et al. (2022). Details are discussed in Section 1.5

To empirically simulate the impact of U.K. tariff changes on import demand for Indian goods, we implement a modified version of the CES demand function developed in Section 5.1. This specification incorporates ad valorem tariff rates directly into the import price structure, under the following simplifying assumptions:

1. Constant pre-tariff prices**:** All exporters, including India, are assumed to set constant pre-tariff prices normalized to unity:

$$P_{\text{pre}}^{\text{IND}} = P_{\text{pre}}^{i} = 1$$

2. Full Tariff Pass-Through: Tariff reductions are fully transmitted to post-tariff import prices paid by U.K. buyers. Exporters do not retain any part of the tariff cut through higher export prices; hence, the entire reduction is reflected in lower import prices.
3. No Supply-Side Response: Tariff changes do not induce exporters to change their prices or output in response (i.e., prices are exogenous and fixed).

Given these assumptions, the counterfactual U.K. demand for imports of goods from India is expressed as:

$$D_{\text{cf}}^{\text{IND}} = D_{\text{base}}^{\text{IND}} \cdot \left(\frac{\frac{1+\tau_{\text{cf}}^{\text{IND}}}{P_{\text{cf}}^{\text{ROW}}}}{\frac{1+\tau_{\text{base}}^{\text{IND}}}{P_{\text{base}}^{\text{ROW}}}} \right)^{-\sigma}$$

Where:

- $D_{\text{cf}}^{\text{IND}}$: Simulated U.K. demand for Indian goods under the counterfactual tariff scenario
- $D_{\text{base}}^{\text{IND}}$: Observed U.K. demand for Indian goods in the baseline year
- $\tau_{\text{base}}^{\text{IND}}$, $\tau_{\text{cf}}^{\text{IND}}$: Ad valorem tariff rates on Indian goods exports in the baseline and counterfactual scenarios, respectively
- $P_{\text{base}}^{\text{ROW}}$, $P_{\text{cf}}^{\text{ROW}}$: CES composite price indices for all competing suppliers (excluding India) in the baseline and counterfactual scenarios
- σ : Elasticity of substitution across exporters

The CES price index reflects the tariff-inclusive prices of all exporters other than India, weighted by their baseline market shares. It is defined as:

$$P_{\text{ROW}}^{1-\sigma} = \sum_{i \neq \text{IND}} s_i \cdot (1+\tau_i)^{1-\sigma}$$

which implies that the CES price index can be expressed as:

$$P_{\text{ROW}} = \left(\sum_{i \neq \text{IND}} s_i \cdot (1+\tau_i)^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$$

Accordingly, the baseline CES price index is:

$$P_{\text{base}}^{\text{ROW}} = \left(\sum_{i \neq \text{IND}} s_i^{\text{base}} \cdot \left(1+\tau_i^{\text{base}}\right)^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$$

and the counterfactual CES price index is:

$$P_{\text{cf}}^{\text{ROW}} = \left(\sum_{i \neq \text{IND}} s_i^{\text{base}} \cdot \left(1+\tau_i^{\text{cf}}\right)^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$$

Note that the market shares s_i^{base} are fixed at their baseline values and are calculated as:

$$s_i^{\text{base}} = \frac{X_i^{\text{base}}}{\sum_{j \neq \text{IND}} X_j^{\text{base}}}$$

- s_i^{base} : U.K. import share of exporter i (excluding India[9]) in the baseline year
- τ_i^{base} , τ_i^{cf} : ad valorem tariff rate applied to exporter i in the baseline and counterfactual scenarios.
- $\sum_{j \neq \text{IND}} X_j^{\text{base}}$: Total U.K. imports from all countries other than India in the baseline year.

This formulation allows us to isolate the demand-side effects of India-specific tariff changes by holding other exporters' market shares and pre-tariff prices constant. Accordingly, we can simulate how variations in India's relative price - driven by tariff changes under the CETA - affect its share in the U.K. import market, given a specified elasticity of substitution.

[9] Excluding India from the CES price index ensures that India's own tariff-induced price change does not mechanically influence the denominator of the demand function used to calculate its export demand. This isolates the effect of India's relative price change on its market share. At the same time, allowing the CES price index to incorporate tariff changes for other countries captures the shifting competitiveness landscape caused by global tariff adjustments. While this introduces some interaction across countries, the framework remains a partial equilibrium one, as it does not model the full system-wide adjustments typical of a general equilibrium setting.

5.3 Empirical Strategy

$Eq.1$, represents a general equation used to estimate counterfactual import demand.

$$D_{\text{cf}}^{\text{IND}} = D_{\text{base}}^{\text{IND}} \cdot \left(\underbrace{\frac{1+\tau_{\text{cf}}^{\text{IND}}}{1+\tau_{\text{base}}^{\text{IND}}}}_{\text{Direct tariff effect on India}} \cdot \underbrace{\frac{P_{\text{base}}^{\text{ROW}}}{P_{\text{cf}}^{\text{ROW}}}}_{\text{Competitiveness effect via third country tariffs}} \right)^{-\sigma} \quad (Eq.1)$$

- The **first ratio** (direct effect on India) captures changes in tariffs applied to India itself.
- The **second ratio** (competitiveness effect via third country tariff) captures changes in tariffs applied to other exporters (ROW), which shift India's relative competitiveness.
- Elasticity σ governs the sensitivity of demand to these relative price changes.

In the present context - where tariffs change only for India since the CETA is a bilateral agreement - the direct tariff reduction increases India's exports to the U.K., while the absence of tariff changes for competitors ensures that this gain is not offset or amplified by relative price shifts[10].Since the CES price index for the ROW remains unchanged ($P_{\text{cf}}^{\text{ROW}} = P_{\text{base}}^{\text{ROW}}$)

Eq. (1) simplifies to:

$$D_{\text{cf}}^{\text{IND}} = D_{\text{base}}^{\text{IND}} \cdot \left(\frac{1+\tau_{\text{cf}}^{\text{IND}}}{1+\tau_{\text{base}}^{\text{IND}}} \right)^{-\sigma} \quad (Eq.1.b)$$

Table 10 lists the variables for which data are required to simulate counterfactual U.K. demand for Indian goods at the HS-6 product level, along with their descriptions and respective data sources. The year 2023 is used as the base year for both U.K. import data and tariffs, reflecting the latest available data.

The tariff dataset employed in this simulation consists of product-level information compiled according to the HS 2022 classification, covering 5,613 HS 6-digit product lines. Two tariff variables are used: τ_i^{base}, denoting the base-year (2023) tariff rate, and τ_i^{cf}, representing the counterfactual tariff rate to be applied under the India-U.K. Comprehensive Economic and Trade Agreement (CETA).

[10] *Note:* Three tariff-change scenarios are possible - (1) tariffs change for India and at least one other country, (2) tariffs change only for India, and (3) tariffs change only for other countries.

Out of the total 5,613 products, 5,572 become tariff-free under the CETA. However, 3,983 of these products were already duty-free in the base year, as recorded in the Market Access Map database. Consequently, 1,589 products become newly duty-free as a direct outcome of the agreement. Among the remaining 41 product lines, 21 are not granted duty-free access, implying that their tariffs remain unchanged at their base-year (2023) levels.

For 13 HS 6-digit product codes, the CETA documentation reports tariff reforms at the more detailed HS 8-digit level. Aggregating these to the HS 6-digit level was nontrivial, as multiple 8-digit products under the same 6-digit heading were assigned to different liberalization categories, such as *A* (elimination of customs duty) and *U* (no preferential concession). To resolve this ambiguity, the United Kingdom's import data from India at the HS 8-digit level were used to identify the most relevant liberalization category for each HS 6-digit product. Specifically, the tariff category associated with the 8-digit code recording the highest import value was assigned to the corresponding 6-digit code, on the rationale that it represents the most economically significant trade flow.

Following this refinement, only two of the thirteen HS 6-digit product groups exhibited positive import flows from India. For these two, the counterfactual tariffs were retained at their base-year levels, as their corresponding liberalization category (*U*) entailed no tariff concession. For the remaining eleven product groups, where no trade was recorded, the counterfactual tariff values were left missing. This treatment is consistent with the focus of the simulation exercise, which considers only currently traded products.

Additionally, six HS 6-digit products were classified under the *TRQ* (Tariff Rate Quota) category, in which tariff concessions are conditional upon quota allocations and become effective only after Year 6 of implementation. As no tariff reductions occur prior to that period, these products were also retained at their base-year tariff levels. One additional product code (999999), which is a generic category used for commodities not elsewhere specified, was hence missing from the CETA documentation and was therefore treated as missing.

In summary, the finalised tariff dataset includes 29 HS 6-digit products for which the counterfactual tariff rate equals the base-year positive tariff, 12 HS 6-digit products for which tariff data remain missing, and 5,572 products for which the counterfactual tariff equals zero.

This harmonized tariff structure provides the analytical foundation for simulating the export impact of the India-U.K. CETA.

5.4 Results and Analysis

Table 11 presents the simulated impact of tariff reductions under CETA on U.K. import demand for Indian goods across HS sections. The results indicate a total increase of USD 1.59 billion in import demand compared to the base year, representing a notable gain concentrated in a few key sectors. The most significant rise occurs in textiles (USD 959.81 million), reflecting India's strong comparative advantage and the sector's sensitivity to tariff reductions. Other major contributors include foodstuffs, beverages, and tobacco (USD 151.71 million), footwear and headgear (USD 128.72 million), and base metals and articles (USD 122.56 million). In contrast, sectors such as mineral products, precious stones and metals, and miscellaneous manufactures show no change, as tariffs on these products were already zero in the base year.

Table 12 evaluates the coverage of the simulated products relative to total U.K. imports from India. Overall, the simulation encompasses 83.65 percent of India's total export value to the U.K., suggesting broad product coverage. Many major sectors - such as chemicals, textiles, foodstuffs, leather products, and basic metals - record coverage rates exceeding 90 percent, ensuring that the simulated results capture most tariff-affected trade. Sectors with counterfactual zeros, such as mineral products and precious metals, reflect cases where tariffs remained unchanged under CETA, leading to no simulated variation in demand. Coverage is relatively lower in categories like wood products, machinery, and vehicles, where only part of the tariff schedule was affected. Overall, the simulation captures the majority of India's export structure to the U.K., providing a robust basis for assessing the short-term trade effects of tariff liberalization under CETA.

Out of the 3,597 HS six-digit products that the United Kingdom imports from India, the simulation framework generated counterfactual import demand values for 3,232 products, covering roughly 89.9 percent of the total product lines. The remaining 365 products (10.1 percent) lacked counterfactual estimates because elasticity data were unavailable. Among these excluded products, 265 (72.6 percent) fall under the *no-preference* category - where base and counterfactual tariffs are identical - implying that the counterfactual demand for these products would remain unchanged in our model, as tariff is the only trade shifter. The remaining 100

products (27.4 percent) correspond to tariff lines eligible for preferential treatment, but simulation values could not be generated due to missing elasticity data. In value terms, the excluded *no-preference* products account for about USD 2.13 billion, while the preferential but unmodeled products represent around USD 220 million of India's exports to the U.K. Given that India's total exports to the U.K. amount to USD 14.36 billion, the excluded preferential products constitute only about 1.5 percent of total exports. Overall, the simulation thus covers the vast majority of tariff-affected Indian exports to the U.K.

Table 13 presents the simulation results across HS chapters, offering a more detailed picture than the section-wise summary. The results show that out of the total simulated increase of USD 1.59 billion (13.2 percent) in India's exports to the United Kingdom, the largest absolute gains are concentrated in textile and apparel chapters (HS 61–63), which together account for nearly two-thirds of the total increase. Within this group, imports of knitted apparel (HS 61) rise by 72.6 percent, woven apparel (HS 62) by 35 percent, and other textile articles (HS 63) by 81.2 percent. Notable percentage increases are also observed in aluminium (HS 76; 195.2 percent), prepared food products (HS 20; 91.3 percent), and cereal preparations (HS 19; 87.4 percent), reflecting large tariff differentials and high import responsiveness. Automotive goods (HS 87; 22.2 percent) and plastics (HS 39; 10.1 percent) show moderate gains, while chemical products (HS 29) record a smaller rise of 5 percent, consistent with more limited tariff cuts in these categories. Imports in the remaining HS chapters, which together account for the bulk of trade value, exhibit only a marginal increase of 0.8 percent, indicating that the benefits of tariff liberalization under the India-UK CETA are concentrated in a relatively narrow set of product lines. Overall, the results suggest that the CETA would primarily strengthen India's textile, apparel, and light manufacturing exports to the U.K., with modest effects across other sectors.

6. Summary & Conclusions

The significant elimination of tariffs under CETA now places Indian exporters on an equal footing with major suppliers and, in some cases, grants preferential access relative to certain competitors. The analysis of the 140 Export Potential products reveals that they are concentrated in five sectors, namely, Agri-products (HS 1-24), Vehicles (HS 87), Rubber (HS 39), Electricals (HS 85) and Machinery (HS84). The tariff cuts on these potential export products provides mainly level playing vis-à-vis other major suppliers as they already had duty-free

market access, primarily EU members. The tariff advantage gains for India are for transport vehicles (HS- 870431) supplied by Japan, Electrical products supplied by USA and China with tariffs of around 1-2%. For Machinery (products under HS-8415, 840734, 840820), major suppliers include China, USA or Thailand with tariff range of 1-3.75% thereby giving marginal tariff advantage to India. Taking advantage of these tariff advantages is contingent on India building supply capability especially in terms of Logistics concerns. Thus, while tariff liberalization provides a favourable price environment, India must first build export linkages and strengthen supply chain capacities to convert this potential into tangible trade gains.

The combination of tariff reductions, logistic assessments, and existing trade relationships underscores the heterogeneous impacts across products, highlighting that nominal preferential access through tariff reduction alone is insufficient. The extent to which India can translate CETA benefits into tangible export gains depends jointly on competitor market shares, supply- and demand-side logistics, and the country's ability to leverage existing export orientation while creating markets for products with no current trade. This analysis illustrates selective opportunities for Indian exporters across the agri-food spectrum beyond the already established sectors, emphasizing the need for complementary strategies in logistics, marketing, and product differentiation to fully capitalise on the evolving trade landscape.

The simulation results show that CETA results in an increase of USD 1.59 billion (13.2 percent) in India's exports and the largest gains are concentrated in *Textile and Apparel* (HS 61–63). Export gains are also observed for aluminium (HS 76), prepared food products (HS 20) and cereal preparations (HS 19) reflecting large tariff differentials and high import responsiveness. Automotive goods (HS 87) and plastics (HS 39) show moderate gains, while chemical products (HS 29) record a smaller rise thereby indicating that the benefits of tariff liberalization under the India-UK CETA are concentrated in a relatively narrow set of product lines. Overall, the results suggest that the CETA would primarily strengthen India's textile, apparel, and light manufacturing exports to the U.K., with modest effects across other sectors.

Thus, for unlocking substantial export potential in the UK now depends less on tariff access and more on overcoming both demand- and supply-side hurdles. Exporters must align with UK market requirements, while policymakers should focus on facilitating B2B partnerships, supporting compliance with UK standards, and addressing residual non-tariff barriers. The convergence of supply capabilities, recently expanded tariff-free access, and the UK's large,

competitive import market presents a historic opportunity for rapid bilateral trade growth, provided strategic supply-side adaptations are effectively implemented.

Tables

Table 1(a): India's Merchandise Trade with UK

Year	2015	2024	CAGR (%)
	In Billion USD		
Total Merchandise Trade	14.27	20.49	4.10%

Source: Merchandise Trade Data extracted from WITS

Table 1(b): India's Services Trade with UK

Year	2015	2023	CAGR (%)
	In Billion USD		
Total Services Trade	13.55	32.96	11.76%

Source: Services Trade Data extracted from OECD-WTO Balanced Trade in Services (BaTIS)

Table 2: Potential-Risk Matrix of Bilateral Trade

Potential-Risk Matrix of Bilateral Trade		
	Low ID	**High ID**
Low ED	1. Untapped Potential	3. Conditional Advantage
High ED	2. Concentration Risk	4. Mutual Reliance

Note: ED = Export Dependency, ID = Import Dependency.

Table 3: Classification of Products based on Dependency

Categories based on Dependency	Number of Products	UK import from World	World import from India	UK import from India
		USD billion (Average 2022-24)		
Untapped Potential	140	147.52	25.07	0.03
Concentration Risk	2	9.43	0.09	0.01
Conditional Advantage	6	1.99	32.29	0.27
Mutual Reliance	108	64.62	67.46	7.17
Total of 4 Quadrants	**256**	223.56	124.91	7.47
Intermediate	**524**	288.48	175.22	5.13
Total Meaningful Products	**780**	**512.04**	**300.13**	**12.6**
Total products	**5593**	**796.22**	**376.59**	**14.66**

Source: Authors' calculations using data from WITS

Table 4: Potential-Risk Matrix of Bilateral Trade

Export Dependency Category	Import Dependency Category				
	Low	Mid-1	Mid-2	High	Total
Low	140	37	12	6	**195**
Mid-1	45	78	46	26	**195**
Mid-2	8	53	79	55	**195**
High	2	27	58	108	**195**
Total	**195**	**195**	**195**	**195**	**780**

Table 5: HS Chapter-wise Untapped Potential Products

HS 2 Product Code	HS Chapters Description	Number of Export Potential Product	UK import from World	World import from India	UK import from India
			USD million (Average 2022-24)		
84	Machinery, mechanical appliances, boilers; parts thereof	18	6220.39	1927.35	6.39
87	Vehicles other than railway or tramway rolling-stock, and parts & accessories thereof	17	42598.06	8671.53	5.94
39	Plastics and articles thereof	16	4715.50	1330.17	4.44
85	Electrical machinery and equipment; sound recorders/reproducers; parts	11	6703.64	2076.56	4.11
30	Pharmaceutical products	5	2329.96	695.21	2.38
72	Iron and steel	4	328.61	203.66	0.20
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin	3	502.11	306.75	0.03
27	Mineral fuels, mineral oils, products of their distillation; bituminous substances; mineral waxes	3	1380.41	239.93	0.30

28	Inorganic chemicals; organic or inorganic compounds of precious metals	3	263.29	198.18	0.02
29	Organic chemicals	3	3192.02	416.08	0.81
38	Miscellaneous chemical products	3	324.65	125.74	0.19
48	Paper and paperboard; articles of paper pulp, paper or paperboard	3	584.48	199.57	0.32
73	Articles of iron or steel	3	620.53	458.41	0.26
74	Copper and articles thereof	3	575.77	816.83	0.13
94	Furniture; bedding and mattresses; lamps; illuminated signs; prefabricated buildings	3	863.91	86.21	0.50
Rest of the HS Chapters		42	76320.94	7314.67	6.45
Total		**140**	**147524.27**	**25066.83**	**32.48**

Source: Authors' calculations using data from WITS

Table 6: Untapped Potential Products under HS-87

Product (HS6)	**Tariff reduction (%)**	**UK imports from World**	**World imports from India**	**UK imports from India**
		(Average during 2022-24) in million USD		
870210	8.85	316.31	108.09	0.01
870321	6.50	5374.22	1628.94	0.10
870322	6.50	9094.24	3614.66	0.09
870323	6.50	6514.54	1102.41	0.11
870331	6.50	450.36	108.53	0.00
870332	6.50	3481.33	103.42	0.00
870600	5.57	109.63	177.26	0.02
870421	5.20	7619.83	166.01	0.02
870431	5.20	112.43	38.30	0.01
870422	4.33	584.09	109.31	0.00
870423	4.33	936.13	61.96	0.08
870340	0.00	5394.69	61.29	0.00
870821	0.00	75.66	39.37	0.05
870840	0.00	1657.49	815.79	4.01
870894	0.00	588.85	423.63	1.15
870895	0.00	158.54	87.72	0.06

871499	0.00	129.74	24.83	0.23

Source: Authors' calculation using data from WITS

Table 7: Untapped Potential Products under HS-39

Product (HS6)	Tariff reduction (%)	UK imports from World	World imports from India	UK imports from India
		in million USD		
390210	2.50	360.50	296.88	1.15
390230	2.50	424.46	23.91	0.08
390110	2.50	436.94	190.07	0.44
390190	2.29	77.50	36.01	0.12
390890	2.20	156.55	50.32	0.35
390810	2.20	291.15	29.23	0.05
390799	1.94	287.31	89.29	0.21
390120	1.25	811.97	91.72	0.22
390140	0.00	299.32	70.03	0.14
391000	0.00	307.60	68.01	0.19
390950	0.00	192.13	58.45	0.16
390730	0.00	245.95	97.16	0.75
392113	0.00	175.77	27.03	0.10
390729	0.00	393.15	115.89	0.34
390319	0.00	74.63	41.24	0.00
392119	0.00	180.56	44.92	0.14

Source: Authors' calculation using data from WITS

Table 8: Untapped Potential Products under HS-85

Product (HS6)	Tariff reduction (%)	UK imports from World	World imports from India	UK imports from India
		(Average during 2022-24) in million USD		
850710	0	500.11	168.51	0.31

850790	0	169.13	25.13	0.08
851769	0	597.60	59.70	0.43
852589	0	1324.83	93.53	0.82
852691	0	553.95	94.16	0.39
852871	0	482.82	25.17	0.07
852990	0	797.80	119.73	0.50
853720	0	219.47	102.54	0.61
854143	0	787.52	1286.05	0.13
854232	0	233.95	32.31	0.21
854239	0	1036.48	69.74	0.56

Source: Authors' calculation using data from WITS

Table 9: Untapped Potential Products under HS-84

Product (HS6)	Tariff reduction (%)	UK imports from World	World imports from India	UK imports from India
		in million USD		
840734	0	728.08	143.03	1.16
840820	0	648.66	801.63	0.25
841381	0	234.34	35.31	0.24
841430	0	227.84	214.76	0.57
841451	0	143.23	34.15	0.03
841510	0	157.59	39.75	0.21
841581	0	98.92	22.87	0.07
841582	0	188.05	46.83	0.46
841583	0	194.96	44.99	0.23
841821	0	186.62	27.38	0.03
842240	0	358.17	49.21	0.26
842489	0	150.71	47.40	0.11
842611	0	99.49	23.49	0.00
842839	0	315.39	24.79	0.21
843041	0	72.74	27.21	0.00
847180	0	951.56	83.52	0.24
847330	0	1319.71	238.04	2.19
848690	0	144.33	23.01	0.14

Source: Authors' calculation using data from WITS.

Table 10: Variables and Data Sources for Simulating Counterfactual U.K. Demand

Si.No.	Variable	Description	Source
1	$D_{\text{base}}^{\text{IND}}$, X_i^{base}	U.K. imports of each HS-6 product from all countries, including India	UN COMTRADE (accessed via WITS)
2	τ_i^{base}	Ad valorem applied tariff rate by the U.K on all exporters	ITC Market Access Map
3	τ_i^{cf}	Counterfactual Tariff Rates under the India-UK CETA	Constructed by authors using tariff changes in CETA document and data from ITC Market Access Map
4	σ	Trade elasticity (Elasticity of substitution between suppliers)	Fontagné et al. (2022)

Table 11: Simulation Results for U.K. Import Demand for Indian Goods by HS Section[11]

Si. No.	HS Section	Import Demand (Base Year)	Import Demand (Counterfactual)	Increase in Import Demand
		Million USD		
1	Live animals, animal products	1.75	2.61	0.86
2	Vegetable products	520.94	617.99	97.05
3	Animal/vegetable fats and oils	21.46	27.42	5.96
4	Foodstuffs, beverages, tobacco	314.86	466.57	151.71

[11] Column Descriptions for Table 11 and Table 12:
Import Demand (Base Year)/Simulated Import Value (Base Year): Value of UK imports from India for HS-6 products where simulation was possible because trade elasticity estimates were available.
Import Demand (Counterfactual)/Simulated Import Value (Counterfactual): Projected value of UK imports from India for the same HS-6 products under CETA tariff scenario.
Increase in Simulated Import Value: Absolute increase in simulated import value resulting from tariff reduction.
Total UK Imports from India (Base Year): Aggregate import value of all products from India in this HS section (including products not simulated).
Coverage of Simulated Products (%): Ratio of simulated import value to total import value - shows the share of UK imports from India included in the simulation (reflects data exclusions due to unavailable elasticity estimates).

5	Mineral products	2347.62	2347.62	0.00
6	Chemicals	1506.72	1535.66	28.94
7	Plastics, rubber	362.64	392.07	29.43
8	Leather and related products	233.35	237.19	3.84
9	Wood and wood products	8.85	9.21	0.36
10	Pulp, paper, paperboard	147.97	147.97	0.00
11	Textiles	1779.32	2739.13	959.81
12	Footwear, headgear	251.58	380.31	128.72
13	Stone, ceramics, glass	148.22	152.52	4.30
14	Precious stones and metals	714.61	714.61	0.00
15	Base metals and articles	957.30	1079.86	122.56
16	Machinery, electrical equipment	2030.82	2030.84	0.02
17	Vehicles, aircraft, vessels	258.67	314.72	56.05
18	Optical, medical instruments	199.23	199.24	0.01
19	Arms and ammunition	1.40	1.50	0.10
20	Miscellaneous manufactures	210.27	210.27	0.00
21	Art, antiques	0.00	0.00	0.00
	Total	**12017.58**	**13607.32**	**1589.74**

Table 12: Coverage of the simulated products relative to total U.K. imports from India

Si. No.	HS Section	Simulated Import Value (Base Year)	Total UK Imports from India (Base Year)	Coverage of Simulated Products (%)
		Million USD		
1	Live animals, animal products	1.75	133.99	1.31
2	Vegetable products	520.94	615.08	84.69
3	Animal/vegetable fats and oils	21.46	21.47	99.93
4	Foodstuffs, beverages, tobacco	314.86	322.71	97.57
5	Mineral products	2347.62	2347.62	100.00
6	Chemicals	1506.72	1610.44	93.56
7	Plastics, rubber	362.64	442.78	81.90
8	Leather and related products	233.35	233.35	100.00
9	Wood and wood products	8.85	23.44	37.77
10	Pulp, paper, paperboard	147.97	148.29	99.78

11	Textiles	1779.32	1806.28	98.51
12	Footwear, headgear	251.58	257.94	97.54
13	Stone, ceramics, glass	148.22	265.95	55.73
14	Precious stones and metals	714.61	749.20	95.38
15	Base metals and articles	957.30	983.25	97.36
16	Machinery, electrical equipment	2030.82	3491.62	58.16
17	Vehicles, aircraft, vessels	258.67	395.43	65.42
18	Optical, medical instruments	199.23	200.59	99.32
19	Arms and ammunition	1.40	1.40	100.00
20	Miscellaneous manufactures	210.27	239.55	87.78
21	Art, antiques	0.00	75.86	0.00
	Total	**12017.58**	**14366.26**	**83.65**

Table 13: Simulation Results for U.K. Import Demand for Indian Goods by HS Chapter

HS Chapter	Import Demand (Base Year)	Import Demand (Counterfactual)	Increase in Import Demand	% Increase
	Million USD			
61	583.298	1006.845	423.548	72.61
62	650.935	878.709	227.774	34.99
63	252.322	457.320	204.998	81.24
64	248.310	377.032	128.722	51.84
76	62.637	184.893	122.256	195.18
20	88.561	169.407	80.847	91.29
87	252.343	308.396	56.053	22.21
10	236.150	279.133	42.983	18.20
19	48.987	91.800	42.813	87.40
57	93.709	131.677	37.968	40.52
39	273.501	301.009	27.509	10.06
08	60.435	84.809	24.373	40.33
29	398.264	418.137	19.872	4.99
07	73.161	92.064	18.903	25.84
54	31.170	46.614	15.444	49.55
21	69.757	83.375	13.618	19.52
52	28.473	39.460	10.986	38.58
11	10.448	20.952	10.504	100.54
58	23.297	33.414	10.117	43.42
Rest of HS Chapters	**8531.827**	**8602.274**	**70.447**	**0.83**

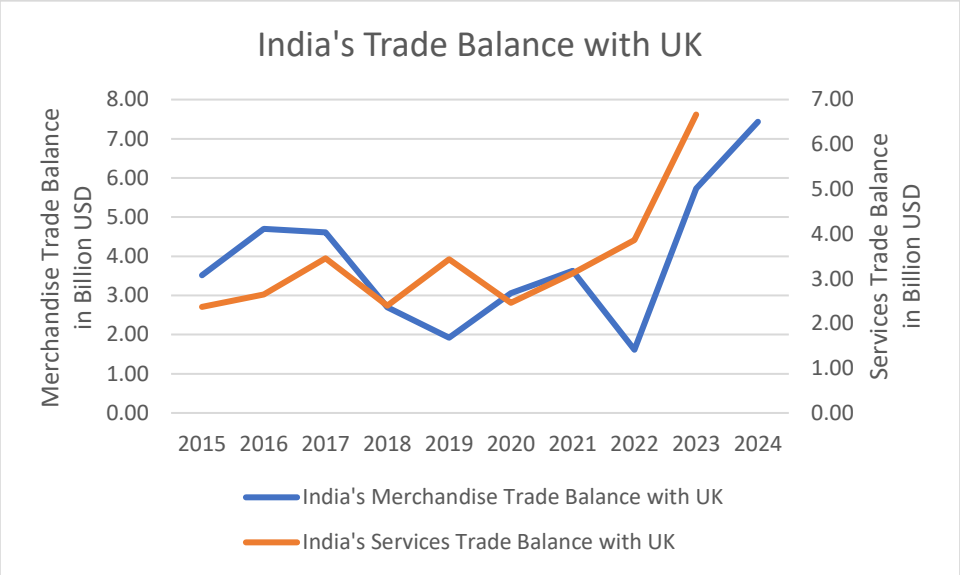
Total	**12017.583**	**13607.319**	**1589.736**	**13.23**

Figures

Figure 1: India's Merchandise & Services Trade with UK

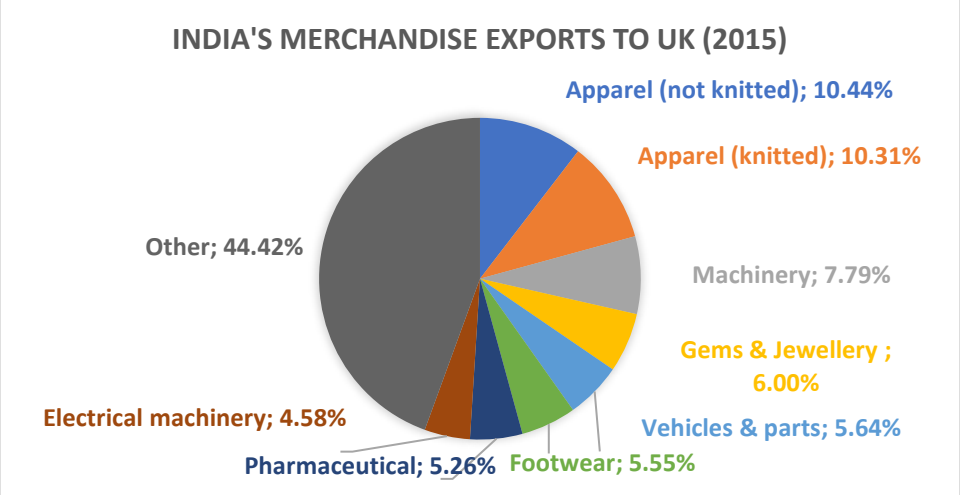
Source: Authors' calculations using data from WITS and OECD-WTO Balanced Trade in Services (BaTIS)

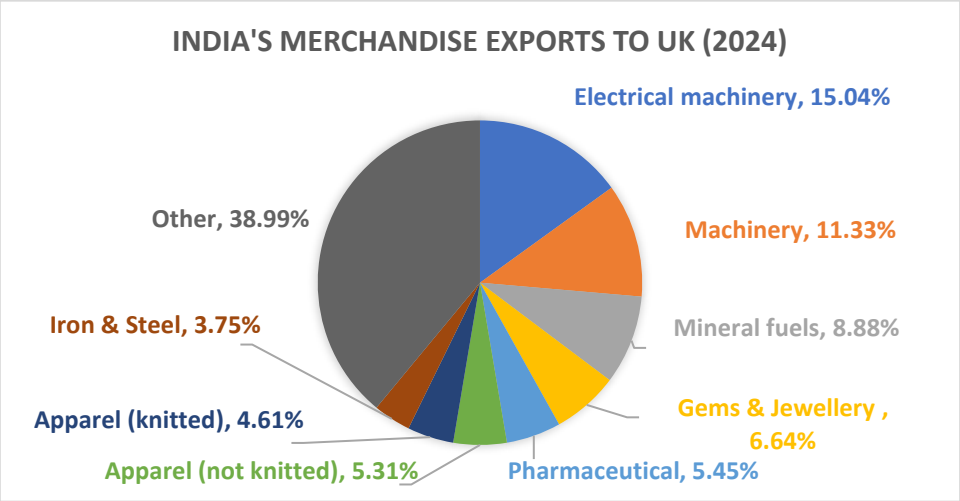
Figure 2: India's Trade Balance with UK



Source: Authors' calculations using data from WITS

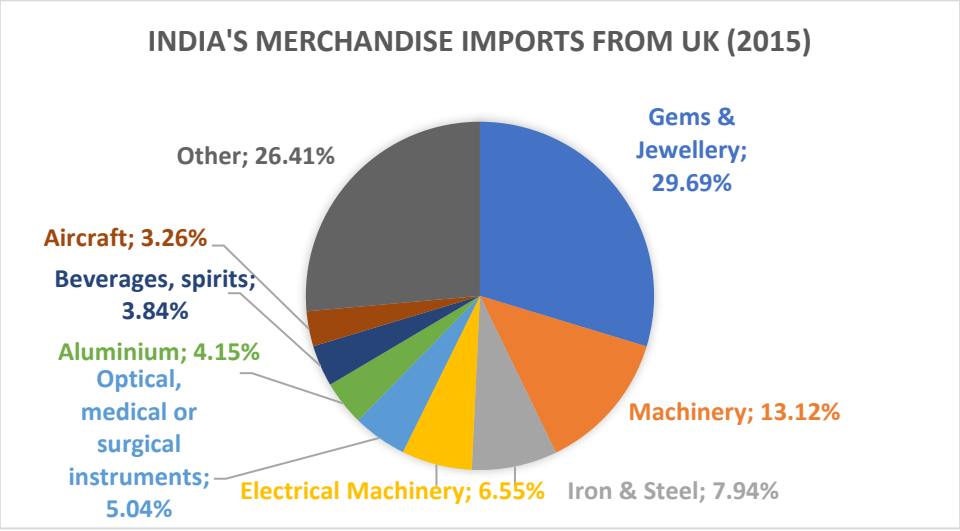
Figure 3: India's Merchandise Exports to UK

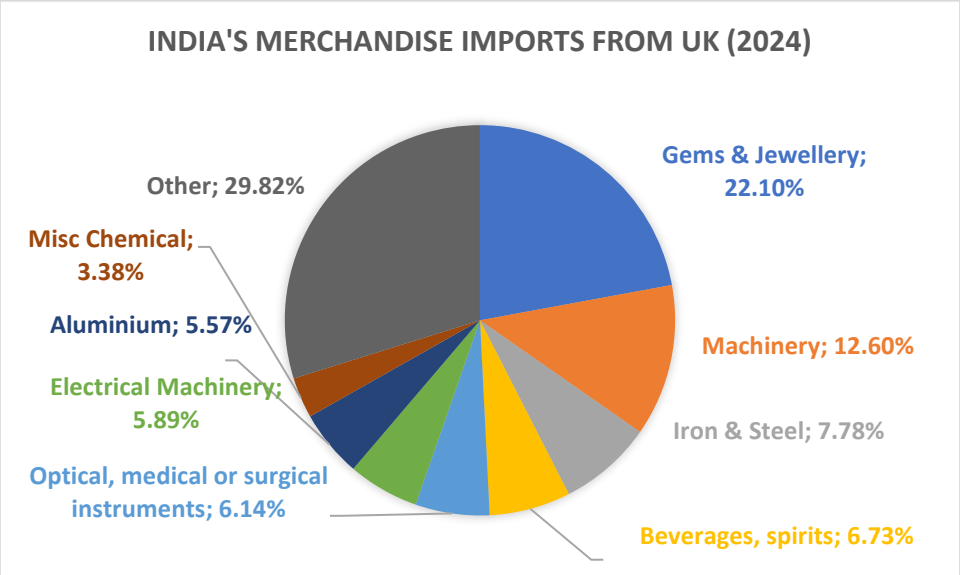




Source: Authors' calculations using data from WITS

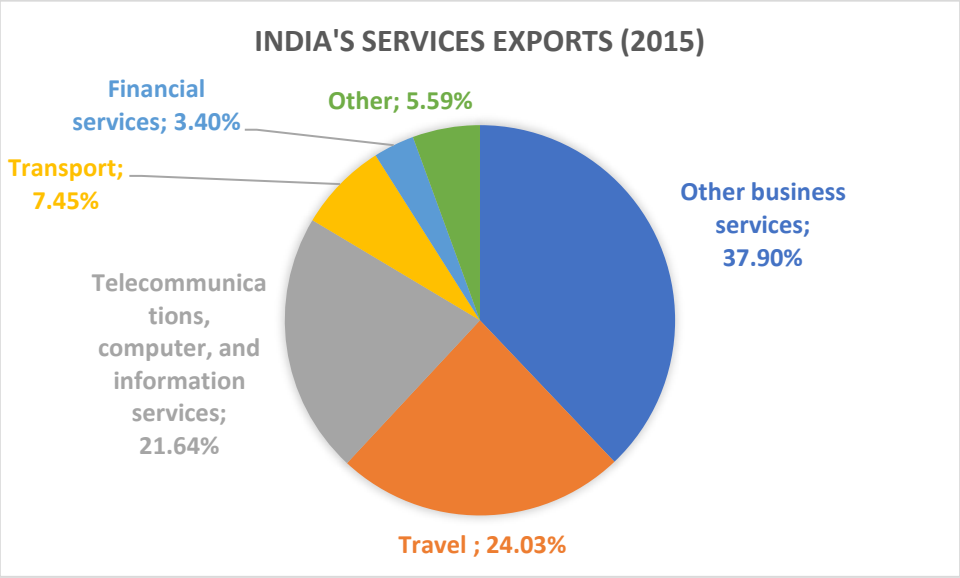
Figure 4: India's Merchandise Imports from UK

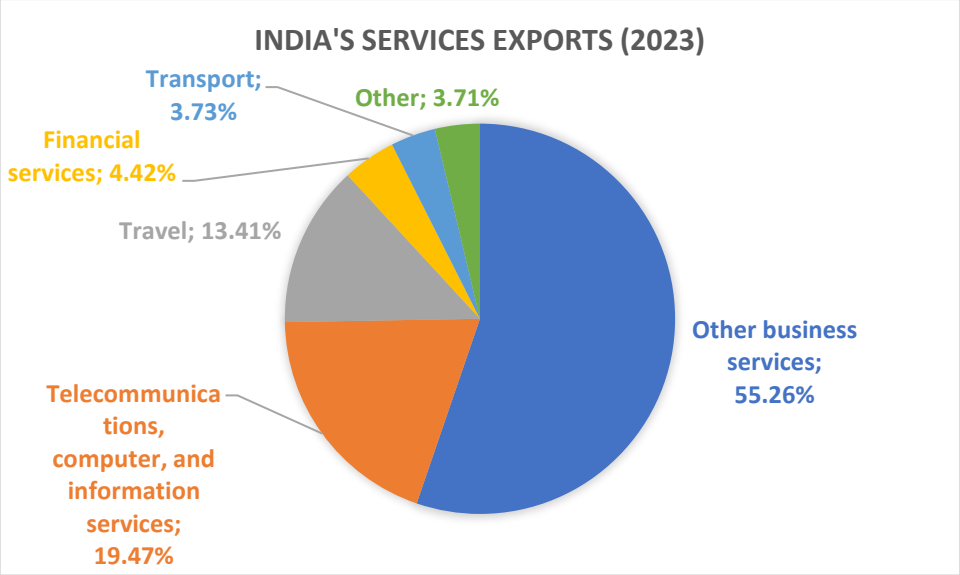




Source: Authors' calculations using data from WITS

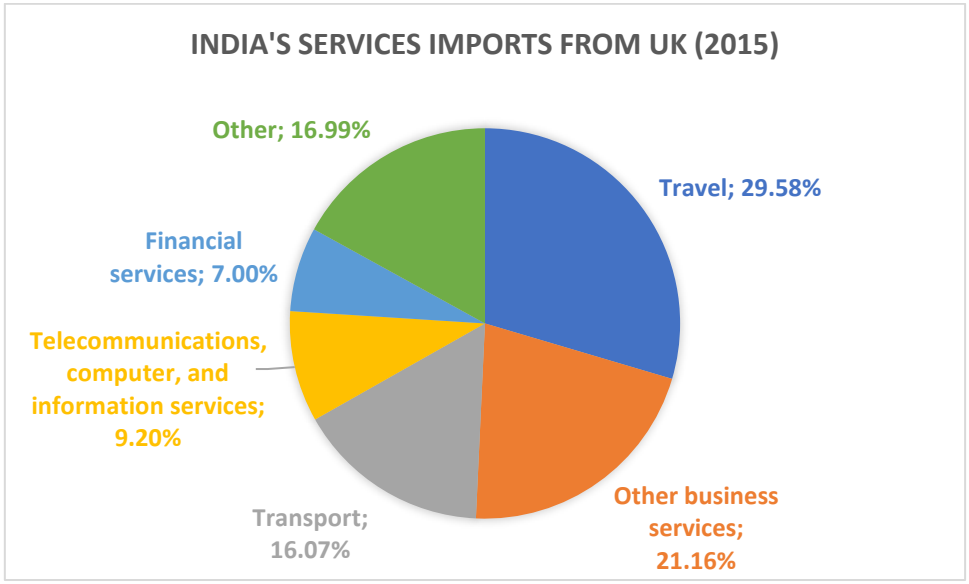
Figure 5: India's Services Exports to UK

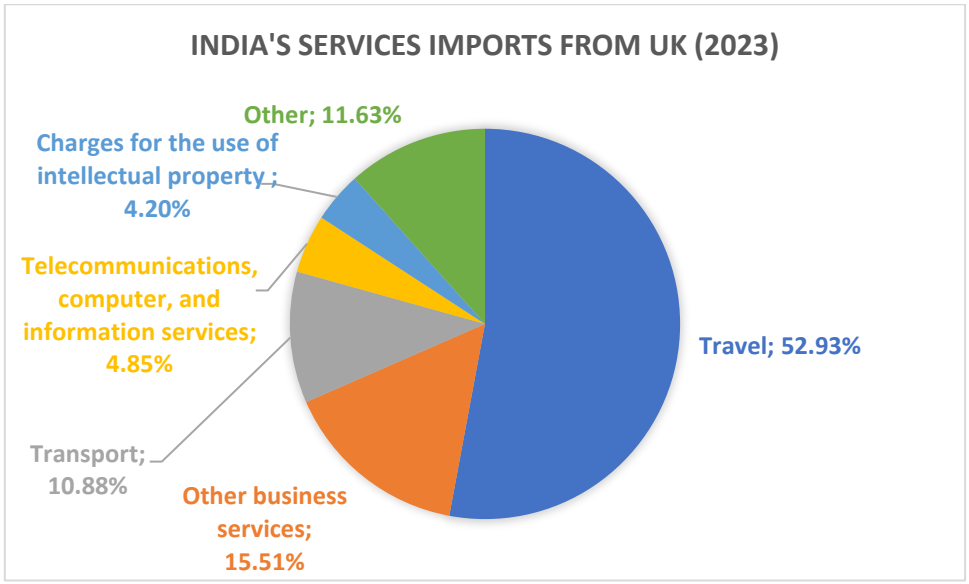




Source: Authors' calculations using data from OECD-WTO Balanced Trade in Services (BaTIS)

Figure 6: India's Services Imports from UK





Source: Authors' calculations using data from OECD-WTO Balanced Trade in Services (BaTIS)

Appendix

A1: Quartile Thresholds for Dependency Indicators

Dependency	Percentile	Threshold (%)
Export Dependency	25th Percentile:	1.037265
	50th Percentile:	2.700589
	75th Percentile:	6.380029
Import Dependency	25th Percentile:	0.336714
	50th Percentile:	1.340967
	75th Percentile:	4.209434

A2: Distribution of Mutual Reliance Products by HS-Chapters

HS 2 Product Code	HS Chapters Description	Number of Mutual Reliance Products	UK import from World	World import from India	UK import from India
			USD million (Average 2022-24)		
62	Articles of apparel and clothing accessories, not knitted or crocheted	13	2357	4736	404
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers	11	14537	17313	1799
61	Articles of apparel and clothing accessories, knitted or crocheted	10	3515	4783	396
72	Iron and steel	8	1678	1407	255
84	Machinery and mechanical appliances; parts thereof	6	3928	2240	413
73	Articles of iron or steel	5	866	1116	117
90	Optical, photographic, measuring, precision, medical or surgical instruments	5	820	478	89
39	Plastics and articles thereof	4	1778	899	107
42	Articles of leather; saddlery and harness; travel goods; handbags	4	1509	1439	146
83	Miscellaneous articles of base metal	4	1048	370	91
20	Preparations of vegetables, fruit, nuts, or other parts of plants	3	522	358	54
64	Footwear, gaiters, and the like; parts of such articles	3	1988	2215	202
Rest of the HS Chapters		32	30070	30109	3093
Total		108	64616	67462	7166

Source: Authors' calculations using data from WITS

A3: List of Products with Concentration Risk

Product	Description	UK import from World	World import from India	UK import from India
		USD million (Average 2022-24)		
847130	Portable automatic data processing machines	8064.86	29.03	3.09
940161	Seats with wooden frames	1364.34	63.29	4.04

Source: Authors' calculations using data from WITS

A4: List of Products with Conditional Advantage

Product	Description	UK import from World	World import from India	UK import from India
		USD million (Average 2022-24)		
250100	Salt	112.08	518.61	5.29
260111	Iron ore lumps	379.93	1885.80	19.32
293090	Organo-sulphur compounds	83.97	624.80	6.28
710239	Diamonds, whether or not worked	1051.41	23381.20	214.86
760110	Unwrought aluminium	296.79	5077.08	15.53
870193	Tractors (other than tractors of heading 8709)	64.50	804.99	4.45

Source: Authors' calculations using data from WITS

A5: Product-Level Tariff Reductions and Associated Trade Indicators (Agri-food Products)

Si.No.	HS 6 Code	Product Description	Tariff Reduction (%)	Main Competitor(s) with Positive Tariff (and Market Share)	Key Implication of Change in Tariff	Logistic Concern	UK Import from India
1	020230	Meat; of bovine animals, boneless (frozen)	50.78	Brazil - 50.78% (2.98%)	India gains a true preferential advantage over Brazil, but penetration limited due to Brazil's small share.	Supply-side	No
2	020130	Meat; of bovine animals, boneless (fresh/chilled)	42.94	Australia - 42.94% (2.73%)	Provides a price advantage over Australia, yet modest penetration potential due to its small share.	Supply-side	No
3	040510	Dairy produce; derived from milk	36.85	None among top 5	Tariff cut mainly levels the field with dominant zero-tariff EU suppliers;	Demand-side	No
4	100199	Cereals; wheat and meslin, other than durum	27.57	Canada - 3.45% (33.19%)	Strong preferential advantage vs. high-share Canada; substantial market penetration possible.	Supply-side	Yes
5	240220	Cigarettes; containing tobacco	23.4	None among top 5	Tariff reduction removes India's price disadvantage; no real preference.	Demand-side	No
6	040900	Honey; natural	16	China & Mexico - 16% (47.3%)	High-share competitors face tariffs; India gains meaningful preferential advantage with real penetration scope.	Less	Yes

7	080390	Bananas, other than plantains	14.56	Colombia, Costa Rica & Ecuador - 5.43% (58%)	Tariff elimination gives Preferential advantage over dominant share competitors.	Supply-side	yes
8	110812	Maize (corn) starch	14.42	United States - 14.42% (10.62%)	Genuine preferential margin over a United States. moderate potential.	Supply-side	Yes
9	030489	Fish fillets; frozen, of fish n.e.c.	8.04	China & U.S. -12.56% (3.02%)	Preferential gain present but market penetration low as tariffed competitors are small players.	Less	Yes
10	200410	Potato preparations (preserved)	8.5	None among top 5	Tariff cut just equalises conditions; no real preference against main competitors.	High	Yes
11	150420	Fats and oils and their fractions	6.67	None among top 5	Reduction mainly removes past disadvantage; no real preference against main competitors.	Less	No
12	070190	Vegetables; potatoes (other than seed)	4.38	Israel - 2% (18.15%)	Marginal preference; Israel's small tariff and proximity limit India's competitive gain.	Supply-side	No
13	180690	Chocolate and other food preparations	4.5	None among top 5	Field-levelling effect with no real preference.	Demand-side	Yes
14	080620	Grapes, dried	0.5	None among top 5	Parity achieved with existing zero-tariff suppliers; no meaningful preferential effect.	Less	Yes

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