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India-UK CETA and Its Economic Impact on India: A Theoretical and Institutional Evaluation

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Abstract

The signing of the India–United Kingdom Comprehensive Economic and Trade Agreement (CETA) marks a historic development in bilateral trade relations, with significant implications for India's economy. This study provides a theoretical and institutional evaluation of the potential economic impact of the agreement. Drawing upon classical and modern trade theories, it examines expected benefits such as tariff liberalization, enhanced market access, trade creation, and productivity gains. The analysis further considers the institutional dimensions of the agreement, including regulatory alignment, investment protections, dispute resolution mechanisms, and sector-specific cooperation frameworks that strengthen the overall effectiveness of CETA.

Special emphasis is placed on high-growth sectors such as information technology, pharmaceuticals, textiles, and financial services, alongside the potential benefits for small and medium-sized enterprises (SMEs) and labor markets. Additionally, the study highlights key challenges, including non-tariff barriers, intellectual property rights enforcement, and standards harmonization, which may influence the agreement's full realization.

By integrating theoretical perspectives with institutional analysis, the study concludes that CETA has the potential to boost India's export competitiveness, attract foreign direct investment, and accelerate long-term economic development, provided that complementary domestic reforms and effective implementation measures accompany the agreement.

Keywords: India–UK CETA, trade liberalization, institutional analysis, economic impact, foreign investment

Introduction

Background of India–UK Trade Relations

India and the United Kingdom share a long history of trade and economic interaction, rooted in historical ties and reinforced by complementary economic structures. The UK has remained one of India's key trading partners in Europe, with bilateral trade encompassing sectors such as information technology, textiles, pharmaceuticals, automotive components, and financial services (Ministry of Commerce & Industry, 2025). In 2024–25, trade between the two nations exceeded USD 20 billion, demonstrating a steady upward trajectory driven by economic reforms and rising mutual market demand (World Bank, 2025) [19]. In addition to trade in goods and services, the UK has been a significant source of foreign direct investment (FDI) in India, particularly in the technology, finance, and education sectors, further deepening the economic relationship between the two nations (Department for Business and Trade [DBT], 2025).

Evolution of Negotiations Leading to CETA

Formal negotiations for the India–UK Comprehensive Economic and Trade Agreement (CETA) began in January 2022, following the UK's exit from the European Union, which created the opportunity for independent trade agreements (DBT, 2025). Both nations sought to establish a comprehensive trade partnership aimed at reducing tariffs, improving market access, and encouraging investment flows. After nearly three years of negotiations and multiple rounds of consultations, CETA was officially signed on July 24, 2025, marking a historic milestone in bilateral trade relations (Press Information Bureau [PIB], 2025). The agreement encompasses trade in goods and services, investment facilitation, regulatory cooperation, and dispute resolution mechanisms, designed to create a transparent and stable trade environment.

Importance of CETA for India's Economy

CETA is of strategic importance for India's economic development. By reducing tariffs and simplifying regulatory requirements, the agreement is expected to enhance the export competitiveness of Indian industries such as information technology, pharmaceuticals, textiles, and engineering goods (WTO, 2024) [20]. Furthermore, CETA is projected to increase FDI inflows from the UK, generate employment opportunities, and support the growth of small and medium-sized enterprises (SMEs) (Economic Times, 2025) [6]. The agreement also facilitates cooperation in technology, research, and innovation, aligning with India's long-term vision of becoming a global manufacturing and services hub (NITI Aayog, 2024) [13].

Research Problem

Despite its significant economic and strategic potential, academic literature evaluating the India–UK CETA remains limited. Most research on India's trade agreements focuses on earlier pacts such as the India–ASEAN Free Trade Agreement (FTA) or the India–Japan Comprehensive Economic Partnership Agreement (CEPA), with minimal scholarly work on the theoretical and institutional implications of CETA (Banga & Sahoo, 2023) [3]. Therefore, there is a clear need to conduct a comprehensive analysis of the expected economic gains from CETA, grounded in both trade theory and institutional economics.

Objectives and Significance of the Study

This study aims to:

1. Evaluate the theoretical economic benefits of CETA for India using classical and modern trade theories.
2. Analyze the institutional mechanisms embedded in CETA, including regulatory frameworks and dispute resolution mechanisms.
3. Assess the potential sectoral impacts of CETA on trade, investment, and employment in India.
4. Provide policy recommendations for maximizing the benefits of CETA while addressing potential challenges.

By integrating theoretical and institutional perspectives, this study contributes to the growing academic literature on India's trade policy and provides practical insights for policymakers, industry stakeholders, and researchers.

Literature Review

Classical Trade Theory

Classical trade theory forms the basis of understanding why countries trade. Adam Smith's theory of absolute advantage explains that nations should focus on producing goods they can make more efficiently than other countries, which allows for mutually beneficial trade (Smith, 1776/2008). Later, David Ricardo developed the theory of comparative advantage, which showed that even if one country is less efficient in producing all goods, trade can still benefit both sides if each specializes in the products it can make relatively better (Ricardo, 1817/2004) [16]. These ideas are still important for agreements like CETA because they explain why India should focus on labor-intensive sectors, such as textiles and pharmaceuticals, while importing advanced technology and capital-intensive products from the UK.

Modern Trade Theories

While classical theories explain the basic reasons for trade, modern theories describe trade in today's global economy. The Heckscher–Ohlin (H–O) model suggests that countries trade based on their factor endowments. Since India has an abundance of labor and the UK has more capital and advanced technology, both nations can benefit by trading with each other (Heckscher & Ohlin, 1991) [8]. The New Trade Theory (Krugman, 1980) [11] highlights the role of economies of scale and product variety. Under CETA, Indian companies can reach larger markets, improve efficiency, and compete better globally. Additionally, the Gravity Model of Trade explains that trade depends on the size of the economies and their trade links, even if they are geographically distant (Tinbergen, 1962; Anderson & van Wincoop, 2003) [18, 2]. Historical ties and the Indian diaspora in the UK help create these strong trade connections.

Institutional Economics and Its Relevance in Trade Agreements

Institutional economics focuses on the rules and systems that make trade easier and safer. North (1990) [14] argues that strong institutions reduce costs and risks in economic exchanges. For CETA, institutional features such as dispute resolution, regulatory cooperation, and investment protections will help reduce uncertainty and give businesses confidence to trade and invest (Acemoglu & Robinson, 2012) [1]. These mechanisms are essential for ensuring that India can gain the maximum benefit from the agreement.

Previous Bilateral and Regional Trade Agreements Impacting India

Past trade agreements give useful lessons for CETA. The India–ASEAN FTA increased India's trade with Southeast Asia in sectors like chemicals, machinery, and textiles, though it also raised concerns about trade imbalances (Banga & Sahoo, 2023) [3]. Similarly, the India–Japan Comprehensive Economic Partnership Agreement (CEPA) improved India's access to the Japanese market, especially for pharmaceuticals and IT services (Kawasaki, 2015) [10]. These examples show that trade agreements work best when they are supported by strong institutions and effective implementation.

Research Gap: Although trade theories and institutional economics explain how trade agreements work, there is very little research on the India–UK CETA. Most existing studies focus on India's older trade agreements or on multilateral trade rather than this new bilateral deal (Banga & Sahoo, 2023) [3]. This study fills that gap by using both trade theory and institutional analysis to understand how CETA can benefit India's economy.

Research Objectives: The primary goal of this study is to understand how the India–UK Comprehensive Economic and Trade Agreement (CETA) can influence India's economy by combining trade theory and institutional analysis. The study has the following specific objectives:

1. **To assess the theoretical economic gains for India from CETA:** This objective focuses on applying classical and modern trade theories to examine how CETA can benefit India. The theory of comparative

advantage suggests that India can gain by specializing in sectors where it is relatively more efficient, such as textiles, pharmaceuticals, and information technology (Ricardo, 1817/2004) [16]. Similarly, the Heckscher–Ohlin model explains that India's labor-intensive industries can benefit from trading with the UK's capital-intensive industries, creating mutual economic benefits (Heckscher & Ohlin, 1991) [8]. By using these theories, the study will identify potential trade creation, efficiency gains, and improvements in India's export competitiveness.

2. **To analyze the institutional mechanisms within CETA:** Strong institutions are essential for successful trade agreements. This objective examines the institutional features of CETA, including dispute resolution mechanisms, regulatory cooperation, and investment protection frameworks, which reduce uncertainty and make trade more predictable. According to North (1990) [14], effective institutions lower transaction costs, while Acemoglu and Robinson (2012) [1] argue that strong governance structures improve economic performance. By analyzing these provisions, this study will assess how CETA's institutional framework can help India attract investment and build a stable trade environment.
3. **To evaluate sector-specific impacts of CETA on India's economy:** This objective focuses on how CETA will affect different sectors of the Indian economy. Sectors such as information technology (IT), pharmaceuticals, textiles, engineering goods, and small and medium-sized enterprises (SMEs) are expected to benefit from improved market access and reduced tariffs (Banga & Sahoo, 2023) [3]. At the same time, the study will also consider challenges for some domestic industries that may face increased competition. This sectoral analysis will provide a clearer picture of CETA's overall economic impact.
4. **To identify challenges and policy recommendations for effective implementation:** Even though CETA offers many potential benefits, its success depends on how well it is implemented. This objective addresses possible challenges such as non-tariff barriers, differences in product standards, and intellectual property rights (IPR) issues, which may limit trade (WTO, 2024) [20]. Based on this assessment, the study will propose policy recommendations to help India strengthen its domestic reforms, improve trade infrastructure, and ensure that Indian industries are well-prepared to take advantage of the opportunities offered by CETA.

By addressing these four objectives, this study will not only fill an academic gap but also provide practical insights for policymakers and industry leaders, helping India maximize the benefits of the India–UK CETA.

Materils and Methods

This study uses a qualitative and theoretical approach to evaluate the economic impact of the India–UK Comprehensive Economic and Trade Agreement (CETA) on India. The research focuses on secondary data and established trade analysis methods.

Research Design

The study adopts a qualitative and theoretical research design. Instead of collecting primary data through surveys or interviews, it relies on published reports, official data, and academic research. This approach is suitable because the objective is to analyze CETA from the perspective of trade theory and institutional economics rather than to measure real-time trade outcomes, as the agreement is newly signed (Creswell & Creswell, 2018) [4].

Data Sources

The analysis is based on secondary data collected from reliable sources, including:

- **Government of India:** Directorate General of Foreign Trade (DGFT) and the Ministry of Commerce and Industry.
- **Government of the United Kingdom:** Department for Business and Trade (DBT) reports on trade relations.
- **International Organizations:** World Trade Organization (WTO), World Bank, and International Monetary Fund (IMF) for trade and economic data.
- **Academic Literature:** Books, journal articles, and research papers on trade theory, institutional economics, and the impact of other trade agreements.

These sources provide both theoretical and empirical information, ensuring that the research is based on credible and up-to-date data (World Bank, 2025; WTO, 2024) [19, 20].

Analytical Framework

The study uses the following analytical framework:

1. **Comparative Advantage Analysis of Key Sectors:** Using Ricardo's theory of comparative advantage, the study examines how India's major industries-such as textiles, pharmaceuticals, information technology, and engineering goods-can benefit from reduced tariffs and better market access under CETA (Ricardo, 1817/2004) [16].
2. **Institutional Evaluation of CETA's Provisions:** Based on institutional economics, the study evaluates CETA's mechanisms, including regulatory cooperation, dispute resolution, and investment protection. These elements are analyzed to understand how they can lower trade barriers and strengthen investor confidence (North, 1990; Acemoglu & Robinson, 2012) [14, 1].
3. **Impact Assessment Using Trade Elasticity Estimates from Previous FTAs:** The study also refers to trade elasticity values-measures of how trade responds to tariff reductions-based on research from previous trade agreements, such as the India–ASEAN FTA and India–Japan CEPA (Banga & Sahoo, 2023) [3]. These estimates are used to predict potential trade creation and sector-specific benefits under CETA.

By combining these methods, the research integrates both theoretical perspectives and institutional analysis, offering a comprehensive view of how CETA could impact India's trade and economic growth.

Theoretical Framework

This study uses a combination of classical, modern, and institutional theories to understand how the India–UK

Comprehensive Economic and Trade Agreement (CETA) may impact India's economy. These theories explain the potential trade benefits, sectoral impacts, and the role of institutions in shaping successful trade outcomes.

Application of Comparative Advantage and Heckscher–Ohlin Theory to India–UK Trade

The theory of comparative advantage, introduced by David Ricardo, explains that trade benefits countries when each focuses on producing goods where it has a relative efficiency advantage (Ricardo, 1817/2004) [16]. For India, this means specializing in labor-intensive industries such as textiles, pharmaceuticals, and information technology, where it has lower production costs. The UK, on the other hand, has strengths in capital-intensive sectors such as financial services, advanced manufacturing, and high-end technology. Under CETA, tariff reductions will make it easier for both countries to exchange these products, allowing each nation to focus on what it does best.

The Heckscher–Ohlin (H–O) theory further supports this by emphasizing factor endowments. India's abundance of labor and the UK's high capital availability complement each other, making trade between the two countries mutually beneficial (Heckscher & Ohlin, 1991) [8]. By reducing trade barriers, CETA can align these differences, enabling India to increase exports of labor-driven goods while benefiting from imports of capital-intensive products from the UK.

New Trade Theory: Implications for Technology Transfer and Scale Economies

While classical trade theories explain basic trade patterns, the New Trade Theory (Krugman, 1980) [11] focuses on the benefits of large-scale production and product variety. Under CETA, Indian companies will gain access to the UK market, which can help them achieve economies of scale-lowering costs as production increases.

Additionally, trade with the UK can promote technology transfer. By engaging with UK-based firms and investors, Indian industries-especially in information technology, pharmaceuticals, and engineering-can adopt better technologies and management practices. This knowledge sharing can improve productivity, foster innovation, and enhance India's overall competitiveness (Grossman & Helpman, 1991) [7].

Institutional Analysis: CETA's Dispute Resolution, Regulatory Alignment, and Investment Protection Measures

Institutional economics highlights the importance of rules and governance in trade. North (1990) [14] argues that well-defined institutions reduce transaction costs and create stability for businesses. CETA includes several institutional mechanisms that are designed to build trust and ensure smooth trade relations:

- **Dispute Resolution Mechanisms:** CETA establishes formal systems to resolve trade conflicts fairly and efficiently, reducing legal uncertainty for both Indian and UK businesses.
- **Regulatory Alignment:** By harmonizing product standards and regulations, CETA lowers non-tariff barriers. This makes it easier for Indian exporters to meet UK requirements, improving market access.
- **Investment Protection Measures:** CETA includes provisions to protect investors' rights, ensuring that UK companies can invest in India without fear of unfair treatment. This is expected to encourage greater foreign direct investment (FDI) into India (Acemoglu & Robinson, 2012) [1].

These institutional arrangements are essential for turning theoretical trade benefits into real economic gains. They create a predictable business environment, which attracts investment and strengthens bilateral trade relations.

By combining comparative advantage, factor endowments, new trade theory, and institutional economics, this framework provides a comprehensive lens for analyzing the potential benefits of CETA. It explains not only how trade flows may increase but also how institutions and technology transfer can support India's long-term economic growth.

Economic Impact Analysis

The India–UK Comprehensive Economic and Trade Agreement (CETA) is expected to significantly influence India's trade, investment, and labor market. By reducing tariffs, opening new service sector opportunities, and improving institutional mechanisms, the agreement has the potential to create major economic benefits for India. However, it also presents several challenges that must be addressed through proper policy measures.

Tariff Reduction and Trade Creation

One of the biggest advantages of CETA will be the reduction or removal of tariffs on goods traded between India and the UK. Lower tariffs will help Indian exporters compete more effectively in the UK market.

For example, India's textile and apparel sector, which is labor-intensive and cost-competitive, is expected to gain a strong advantage. Reduced tariffs will make Indian garments and fabrics cheaper in the UK, helping Indian companies capture a larger market share (Banga & Sahoo, 2023) [3]. Similarly, engineering goods such as machinery, auto parts, and electronic components will benefit from improved price competitiveness, making them more appealing to UK buyers. Additionally, agricultural products like processed foods, spices, and tea are likely to see increased exports as lower tariffs make them more accessible to UK consumers.

This process is described as trade creation, where expensive domestic production in the UK is replaced by more affordable imports from India, which improves efficiency and strengthens bilateral trade (Ricardo, 1817/2004) [16].

2. Services Sector and Investment Gains

CETA is not limited to trade in goods-it also has a strong focus on services and investment.

The UK is already one of the largest markets for India's information technology (IT) and business services. Under CETA, simplified regulations and the recognition of professional qualifications are expected to help Indian IT companies expand their operations in the UK (World Trade Organization [WTO], 2024) [20]. In addition, collaboration in financial services, including banking, insurance, and fintech, could strengthen business ties and open new revenue streams for Indian firms.

Another key benefit of CETA is its potential to increase foreign direct investment (FDI). The agreement includes investment protection measures that reduce risks for UK investors, encouraging them to invest in India's infrastructure, technology, and manufacturing sectors. This investment can bring technology transfer, improved productivity, and job creation (Acemoglu & Robinson, 2012) [1].

3. SMEs and Labor Market Effects

Small and Medium-sized Enterprises (SMEs) are a critical part of India's economy, and CETA could provide them with significant opportunities. By gaining better access to the UK market, export-oriented SMEs in sectors such as textiles, food processing, and engineering goods could expand production and increase revenue. This, in turn, may lead to job creation, particularly in industrial regions and manufacturing hubs (International Labour Organization [ILO], 2024) [9].

However, to fully take advantage of CETA, the Indian workforce will require skill development in areas such as quality certification, advanced manufacturing techniques, and international trade standards. Government training programs and industry-led initiatives will be essential to prepare workers for these new opportunities.

4. Challenges

Although CETA provides many opportunities, there are several challenges that need to be managed.

First, non-tariff barriers (NTBs) such as quality standards, product certifications, and regulatory compliance requirements in the UK could make it difficult for Indian exporters-particularly SMEs with limited resources-to enter the market (WTO, 2024) [20]. Second, intellectual property rights (IPR) rules may increase compliance costs for industries such as pharmaceuticals and manufacturing, potentially affecting their competitiveness. Finally, tariff reductions may lead to a short-term loss in customs revenue for the Indian government. However, this loss is expected to be offset in the long run by higher export volumes, increased foreign investment, and stronger economic growth (World Bank, 2025) [19].

To overcome these challenges, India will need to focus on trade facilitation, upgrading infrastructure, and supporting SMEs in meeting regulatory requirements.

Institutional Dimensions of CETA: The institutional framework of the India–UK Comprehensive Economic and Trade Agreement (CETA) plays a critical role in ensuring that the potential economic benefits of the agreement are realized. Institutions create the rules and structures that guide trade, investment, and cooperation between nations. By improving regulatory alignment, providing clear dispute settlement mechanisms, and fostering collaboration in technology and sustainable trade, CETA strengthens trust and reduces uncertainty for businesses and investors.

Regulatory Alignment and Ease of Doing Business

One of the most important institutional elements of CETA is regulatory alignment, which simplifies trade between India and the UK. Regulatory alignment means that both countries work towards harmonizing their product standards, safety rules, and certification requirements. This reduces duplication, lowers compliance costs, and makes it easier for businesses-especially small and medium-sized enterprises (SMEs)-to access each other's markets.

For India, this is particularly important for sectors such as textiles, pharmaceuticals, and engineering goods, where compliance with UK standards is often expensive and time-consuming. By aligning regulations, CETA improves the ease of doing business for Indian exporters and reduces the risk of trade disputes related to technical barriers (World Trade Organization [WTO], 2024) [20]. This institutional provision not only improves market access but also encourages companies to invest in higher-quality production to meet global standards.

Dispute Settlement Mechanisms for Trade and Investment Conflicts

CETA also includes clear and transparent dispute settlement mechanisms, which are essential for building confidence between trading partners. These mechanisms provide structured procedures for resolving disagreements related to trade rules, tariffs, or investment protections. By having an impartial and legally binding system in place, CETA reduces the risk of prolonged conflicts and encourages businesses to engage in cross-border trade without fear of unfair treatment (North, 1990) [14].

For investment-related disputes, CETA's provisions ensure that investors from both India and the UK are protected against discriminatory practices or sudden policy changes. This creates a stable investment environment that can attract more foreign direct investment (FDI) from the UK into India's infrastructure, manufacturing, and technology sectors (Acemoglu & Robinson, 2012) [1].

Cooperation in Innovation, Technology, and Sustainable Trade: In addition to trade and investment rules, CETA promotes institutional cooperation in innovation, technology transfer, and sustainable trade. Both India and the UK recognize that future economic growth depends on knowledge sharing and environmentally responsible practices. The agreement includes provisions for joint research, technology partnerships, and collaboration in areas such as green energy, digital infrastructure, and advanced manufacturing (World Bank, 2025) [19].

This cooperation is especially valuable for India, as it can help accelerate its shift toward high-tech and sustainable industries. By partnering with UK firms and research institutions, India can gain access to advanced technologies and expertise, supporting its efforts to become a global innovation hub. Moreover, the emphasis on sustainable trade aligns with global climate goals and strengthens India's competitiveness in environmentally friendly industries. These institutional dimensions-regulatory alignment, dispute settlement, and cooperation in innovation-create a predictable and transparent trade environment. They reduce transaction costs, improve investor confidence, and help ensure that the economic benefits of CETA are widely distributed across sectors. In this way, the institutional framework of CETA is as important as the tariff reductions it offers, providing the foundation for a long-term and mutually beneficial trade relationship between India and the UK.

Policy Recommendations

The India–UK Comprehensive Economic and Trade Agreement (CETA) presents major opportunities for trade, investment, and employment generation. However, to maximize its potential, India must take several policy measures to ensure that the benefits of CETA are widely distributed and that possible challenges, such as non-tariff barriers and skill gaps, are effectively addressed.

Implement Complementary Domestic Reforms

To fully benefit from CETA, India must strengthen its domestic economic environment by improving logistics, infrastructure, and workforce skills. Efficient logistics and transportation systems reduce the cost of moving goods and improve delivery times, which is critical for increasing export competitiveness (World Bank, 2025) [19]. Similarly, upgrading port facilities, warehouses, and digital trade platforms will make it easier for Indian exporters to access the UK market.

Additionally, skill development programs are essential to ensure that India's workforce can meet the quality standards and technological requirements of global markets. This includes training workers in modern production techniques, international certification processes, and the use of digital tools for trade and business operations (International Labour Organization [ILO], 2024) [9].

Strengthen Export Promotion for High-Growth Sectors

India should prioritize export promotion in key sectors such as information technology (IT), pharmaceuticals, textiles, and engineering goods, which are expected to gain the most from CETA. Targeted policies, including tax incentives, research and development support, and trade fairs in the UK, can help Indian companies expand their market presence.

The government should also collaborate with industry associations to develop sector-specific strategies that address market entry barriers and highlight the "Made in India" brand to improve global competitiveness (Banga & Sahoo, 2023) [3].

Develop a Robust Mechanism for Addressing Non-Tariff Barriers

While CETA reduces tariffs, non-tariff barriers (NTBs) such as quality standards, product certifications, and regulatory compliance requirements remain a challenge. India should establish a dedicated mechanism to help exporters comply with UK regulations.

This could include creating export facilitation centers that provide guidance on certification, testing, and documentation requirements. Negotiating mutual recognition agreements (MRAs) with the UK for certain standards could further simplify market access (World Trade Organization [WTO], 2024) [20].

Promote Awareness and Capacity-Building for SMEs

Small and Medium-sized Enterprises (SMEs) often lack the knowledge and resources to take advantage of trade agreements. The government should launch awareness campaigns and training programs to help SMEs understand CETA's provisions, such as tariff reductions, investment opportunities, and regulatory requirements.

Capacity-building initiatives, including financial support for compliance costs and access to trade finance, can empower SMEs to expand into the UK market. By supporting SMEs, India can create more inclusive economic growth and generate employment in local industries (Acemoglu & Robinson, 2012) [1].

By implementing these reforms and support measures, India can maximize the economic and institutional benefits of CETA. A strategic approach focusing on infrastructure, skills, export promotion, NTB reduction, and SME empowerment will ensure that CETA becomes a catalyst for long-term trade growth, foreign investment, and sustainable development.

Conclusion

The India–UK Comprehensive Economic and Trade Agreement (CETA) marks a historic step in strengthening the economic partnership between the two nations. For India, this agreement provides a unique opportunity to expand its exports, attract significant foreign investment, and increase its global trade competitiveness. By lowering tariffs and improving access to the UK market, CETA is expected to create substantial gains for India in major sectors such as textiles, pharmaceuticals, engineering goods, and information technology. These sectors are likely to see increased demand, new market opportunities, and higher revenues, ultimately boosting India's economic growth (Banga & Sahoo, 2023; World Trade Organization [WTO], 2024) [3, 20].

A key benefit of CETA for India lies in the reduction of trade barriers, which will make Indian products more competitive in the UK market. For example, lower tariffs on textiles and garments will strengthen India's position as a leading supplier to the UK. Similarly, the pharmaceutical sector can benefit from simplified regulatory procedures, enabling faster approval and export of Indian medicines. In addition, CETA's investment protection provisions are likely to attract more foreign direct investment (FDI) from UK companies into India's infrastructure, manufacturing, and technology sectors. This investment will not only bring in capital but also transfer advanced technology and managerial expertise, which are vital for India's long-term industrial development (World Bank, 2025) [19].

However, to fully capitalize on these opportunities, India must implement complementary domestic reforms. Improvements in logistics, transport networks, and port infrastructure will reduce trade costs and delivery times, making Indian exports even more competitive. Equally important is workforce skill development, which will ensure that Indian labor is equipped to meet the demands of high-value industries and international quality standards (International Labour Organization [ILO], 2024) [9].

Institutional mechanisms within CETA, such as transparent dispute resolution systems and regulatory cooperation, are also expected to benefit India. These measures will provide Indian businesses with greater certainty in trade and investment, reduce the risk of disputes, and create a stable environment for long-term economic planning. Moreover, the agreement's focus on innovation, research, and sustainable trade opens the door for India to collaborate with the UK in advanced technologies, renewable energy, and digital infrastructure, helping India achieve its goal of becoming a global hub for technology-driven and green industries.

At the same time, India must prepare for challenges, including compliance with strict quality standards, intellectual property rights (IPR) rules, and the short-term loss of customs revenue from tariff reductions. However, these challenges can be addressed through effective government policies, targeted support for small and medium-sized enterprises (SMEs), and strong institutional coordination (Acemoglu & Robinson, 2012) [1].

In summary, CETA has the potential to transform India's economy by increasing exports, attracting investment, creating jobs, and strengthening industrial capabilities. By combining trade liberalization with robust domestic reforms and institutional support, India can fully leverage this agreement to secure long-term economic gains, improve its global competitiveness, and position itself as a leading trade and investment destination.

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