

The India UK FTA

IMPLICATIONS FOR PAKISTAN

June 2026



The India UK FTA: Implications for Pakistan

June 2026

Acknowledgements

Samir Amir

Team Lead

Wisha Ahmed

Lead Researcher

Disclaimer

The findings, interpretations and conclusions expressed do not necessarily reflect the views of the Board of Directors and Members of The Pakistan Business Council or the companies they represent. Any conclusions and analysis based on the data from Eurostat and expert interviews are the responsibility of the author and do not necessarily reflect the opinion of the above organizations. Although every effort has been made to crosscheck and verify the authenticity of the data, The Pakistan Business Council, or the author, do not guarantee the data included in this work. All data and statistics used are correct as of June 14th, 2026 and may be subject to change.

For any queries or feedback regarding this report, please contact samir@pbc.org.pk or wisha@pbc.org.pk

The Pakistan Business Council:

An Overview

The Pakistan Business Council (PBC) is a research-based business advocacy platform established in 2005. It is now supported by over 100 private sector local and multinational businesses with significant investment in, and long-term commitment to sustainable growth of the country. They come from 14 countries, have leading roles in 17 major sectors of the formal economy, generate 40% of annual exports, contribute a third of Pakistan's total tax revenues and employ three million. Their combined sales represent every 6th Rupee of Pakistan's GDP.

PBC's major objectives are to advocate policies that lead to creation of jobs, value-added exports and reduction in import reliance through improved competitiveness of manufacturing, services and the agriculture sectors. It also promotes formalization of the economy.

PBC's over-arching theme, "Make-in-Pakistan" consists of three pillars: "Grow More/Grow Better", "Make More/Make Better" and "Serve More/Serve Better." Its evidence-based advocacy is backed by over a hundred studies to date, through its full-time research team, supplemented by collaborative research with renowned industry experts and economists. Through its Centre of Excellence in Responsible Business (CERB), PBC works to build capacity and capability of businesses beyond its membership, to adopt high environmental, social and governance standards. PBC holds conferences, seminars and webinars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan. Through its presence in Islamabad and Karachi, it works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues impacting the economy.

PBC is a pan-sectoral, not-for-profit, Section 42 entity. It is not a trade body; therefore, it does not advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers that thwart competitiveness of businesses in Pakistan.

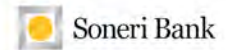
Further information on the PBC is available on: www.pbc.org.pk.

The PBC's Founding Objectives

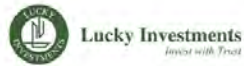
- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and fieldwork for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC Member Companies





The PBC Affiliates



List of Acronyms

B2B	Business-to-Business
CAGR	Compound Annual Growth Rate
CEPA	Comprehensive Economic Partnership Agreement
CETA	Comprehensive Economic and Trade Agreement
DCC	Digital Commerce Corridor
DCTS	Developing Countries Trading Scheme
EPD	Export Performance Dynamics
ESG	Environmental, Social, and Governance
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GOTS	Global Organic Textile Standard
GSP	Generalised Scheme of Preferences
HS	Harmonized System
IFC	International Finance Corporation
IUKFP	India-UK Free Trade Pact
LSE	London Stock Exchange
MOQs	Minimum Order Quantities
ODI	Overseas Direct Investment
OECD	Organisation for Economic Co-operation and Development
PBBC	Pakistan Britain Business Council
PSEB	Pakistan Software Export Board
SPS	Sanitary and Phytosanitary
TDAP	Trade Development Authority of Pakistan
UK	United Kingdom
UKCA	UK Conformity Assessed
UKPCCI	UK-Pakistan Chamber of Commerce and Industry

Table of Contents

Executive Summary	01
Key Findings	03
Introduction to the India–UK Free Trade Agreement	05
Background and Strategic Significance	06
Trade in Goods and Tariff Reduction	07
Indian Exports to UK	07
UK Exports to India	08
India–UK FTA: Overview	09
Bilateral Trade: India and the United Kingdom	11
India's Goods Exports to the United Kingdom	12
India's Imports from the United Kingdom	13
Services Trade	14
Foreign Direct Investment	15
Financial and Technical Cooperation Mechanisms.....	16
Pakistan's Current Trade Relationship with the UK	18
Pakistan's Goods Exports to United Kingdom	19
HS 2 Level: Top 5 Products	19
HS 6 Level: Top 5 Products	19
United Kingdom's Exports to Pakistan	20
HS 2 Level: Top 5 Products	20
HS 6 Level: Top 5 Products	20
The DCTS: Pakistan's Key Benefit	21
Key B2B Platforms and Trade Facilitators	21
The Pakistan Britain Business Council (PBBC).....	21
The UK-Pakistan Chamber of Commerce and Industry (UKPCCI).....	21
Pakistan vs India in the UK Market	24
Export Portfolio Diversification Matrix	26
Rising Stars	27
Lost Opportunity.....	28
Retreat	28
Falling Stars	29
Recommendations	32

List of Figures

Figure 1: India's Goods Trade Balance with the UK (Euro Billion)	06
Figure 2: India's Trade Growth and Trade Agreements (1976–2023)	07
Figure 3: UK Regional Trade with India	11
Figure 4: India's Services Trade Balance with the UK (Euro Billions)	14
Figure 5: Stock of FDI Between UK and India (Euro Billion)	15
Figure 6: Pakistan's Trade Balance with the UK (Euro Billion)	18
Figure 7: EPD Matrix – Pakistan's Exports to the UK	26

List of Tables

Table 1: Overview of Sector Treatment Under the Trade Corridor	10
Table 2: Top 5 Indian Exports to the UK (2020–2024) at the HS 2 Level	12
Table 3: Top 5 Indian Exports to the UK (2020–2024) at the HS 6 Level	12
Table 4: Top 5 Indian Imports from the UK (2020–2024) at the HS 2 Level	13
Table 5: Top 5 Indian Imports from the UK (2020–2024) at the HS 6 Level	13
Table 6: Top 3 Services Exports from UK to India	14
Table 7: Top 3 Services Imports of UK from India	14
Table 8: Top 5 Exports from Pakistan to UK at the HS 2 Level (Euros)	19
Table 9: Top 5 Exports from Pakistan to UK at the HS 6 Level (Euros)	19
Table 10: Top 5 Imports of Pakistan from UK at the HS 2 Level (Euros)	20
Table 11: Top 5 Imports of Pakistan from UK at the HS 6 Level (Euros)	20
Table 12: Pakistan's Competitive Advantages in the UK Market	24
Table 13: Rising Star Segment – Pakistan's Exports to the UK	27
Table 14: Lost Opportunity Segment – Pakistan's Exports to the UK	28
Table 15: Retreat Segment – Pakistan's Exports to the UK	28
Table 16: Falling Star Segment – Pakistan's Exports to the UK	29

Executive Summary



Executive Summary

The India-UK Comprehensive Economic and Trade Agreement (CETA) was signed on 24 July 2025 and is expected to take full effect during 2026. The CETA poses a structural threat to Pakistan's trade position with the UK. Pakistan's current trade relationship with the UK is strong on its own terms: bilateral trade has reached a record €5.5 billion with the UK, making it Pakistan's third-largest export destination. Pakistan's exports to the UK benefit from the Developing Countries Trading Scheme (DCTS), which grants duty-free access to 94% of exports and saves an estimated €120 million annually in tariffs.

This position, however, rests on a fragile foundation. Pakistan's preferential access depends on a unilateral, conditional scheme tied to compliance reviews and set to expire in December 2027, whereas India's access under its new FTAs is contractual, reciprocal, and free of comparable compliance risks. As India's tariff disadvantage phases out, Pakistan's pricing edge in core categories like home textiles will erode, a threat compounded by India's far more diversified export base, which makes it an increasingly attractive "one-stop shop" for British buyers and raises the risk of order diversion away from Pakistan. Sector-level data shows Pakistan is already losing ground in high-growth categories like pharmaceuticals and machinery, even as it holds steady in flatter, more mature markets like core apparel.

At the same time, Pakistan retains real strengths; niche categories like surgical instruments and sporting goods, improving cost competitiveness following recent energy tariff reforms, and entrenched buyer relationships with major UK retailers that face no material threat from India's new agreement.

This report recommends action across three timeframes: immediately, accelerating Pakistan's own proposed UK FTA negotiations and pursuing UK compliance certifications; in the medium term, building technical textile manufacturing capacity and strengthening labour and environmental governance; and in the long-term, reducing reliance on preferential schemes through genuine market diversification beyond the US, EU, UK, and China.

Key Findings



Key Findings

1. India's Economic Trajectory

India is the fastest-growing G20 economy (6%+ growth), the 5th largest economy, projected to become the 3rd largest by 2028, with a rapidly expanding middle class and import demand.

2. Financial Services: Limited Liberalisation

UK ownership and investment in Indian insurance and banking remains capped at 74%, and the agreement does little to address India's restrictive licensing and branching policies for foreign banks. This means deeper market access in one of the UK's strongest sectors remains largely unresolved.

3. Procurement Status Reversal

Under India's "Make in India" policy, UK companies now receive "Class 2 supplier" treatment if at least 20% of a product or service originates from the UK — a status previously enjoyed exclusively by Indian firms. However, this access excludes state-level procurement, which represents a significant share of India's overall public spending.

4. Carbon Tariffs

The FTA contains no provision anticipating the UK's future carbon border adjustment mechanism. This leaves Indian steel, cement, and aluminium exporters exposed to potential UK carbon tariffs down the line.

5. Tariff Cuts on Both Sides

Some of the most dramatic reductions involve products that previously faced near-prohibitive duties:

- Scotch whisky and gin: Tariffs cut from 150% to 75% immediately, staging down to 40% by year 10.
- Cars (ICE & EV): Tariffs of up to 110% on imports from the UK reduced to 10% under quota, with a pathway toward EV/hybrid terms.

6. Trade Categories with Outsized Shifts

- Smartphones went from €0 in Indian exports to the UK (2020–2021) to €1.2 billion by 2024.
- Natural and cultured pearls are the single largest UK export category to India by value, peaking near €6.2 billion in 2023 — ahead of more conventional categories like machinery or automobiles.

7. Investment Flows Outpacing the Trade Narrative

The UK's share of FDI into India jumped from 5.17% to 11.2% within a single year, making the UK India's fourth-largest source of FDI. Meanwhile, Indian-owned companies operating in the UK grew nearly 60% year-on-year (1,197 to 1,912), with combined turnover approaching €106 billion.

8. Bilateral Trade – Pakistan and the UK

Pakistan-UK bilateral trade has reached a record high of over €5.5 billion, making the UK Pakistan's third-largest export destination and its most significant economic partner in Europe. This relationship is reinforced by more than 200 British companies operating in Pakistan, contributing over €2.98 billion in investment.

9. The DCTS Advantage – and Its Limits

Under the Developing Countries Trading Scheme (DCTS), 94% of Pakistan's goods exports to the UK now enter duty-free, saving an estimated €120 million annually in tariffs. However, the remaining 6% of Pakistan's export basket falls outside DCTS coverage and faces standard UK Global Tariff rates.

10. Niche Monopolies Beyond Tariffs

Pakistan holds structural advantages that aren't tariff-dependent: the Sialkot cluster produces 70% of the world's hand-stitched footballs, a niche India doesn't compete in. Pakistan also maintains €34.8 million in annual surgical instrument exports built on deeply rooted manufacturing expertise.

11. Explosive Growth in Unexpected Niche Categories

Some of the fastest-growing export categories aren't traditional textiles— prepared feathers and artificial flowers grew 202% (2021–2025), live plants and cut flowers grew 104%, and silk grew 57%, suggesting Pakistan is quietly diversifying into highly specialized, low-volume niches. Processed food preparations grew 29% against a 10% UK market expansion, while cereal and pastry preparations grew 19% — indicating a shift toward higher-margin, value-added agricultural exports rather than raw commodities.

13. Pakistan Is Losing Ground in the Most Lucrative Growth Markets

In the "Falling Stars" quadrant — sectors where UK demand is rising but Pakistani exports are shrinking — Pakistan missed out on major opportunities in industrial machinery, aviation components, and precious metals/stones, all of which saw substantial UK global market growth. Complete trade cessation occurred in fertilisers and nickel, two sectors with strong UK demand growth (6% and 10% respectively). Products of animal origin saw a complete 100% collapse in Pakistani exports to the UK, alongside steep declines in wood/charcoal (52%) and copper (22%).

15. Compliance Costs

Meeting UK-specific standards (UKCA marking, GOTS, Better Cotton Initiative) ahead of the FTA could let Pakistani exporters compete on quality rather than price — but certification costs are flagged as a genuine obstacle for smaller firms.

16. A Hidden Risk Beyond Tariffs

Even where tariffs remain unaffected, new labelling requirements, standards updates, or anti-dumping measures introduced alongside the India-UK FTA could indirectly disadvantage Pakistani exporters.

17. Governance Reform Is Commercial Strategy, Not Just Compliance

Strengthening labour inspectorate capacity and environmental enforcement is framed as a commercial necessity, since UK retailers face growing pressure to demonstrate supply chain integrity and will prefer credible-governance exporters even at a marginal cost disadvantage.

18. Structural Vulnerability: Four Markets, 60% of Exports

Pakistan's exports remain concentrated in just the US, EU, UK, and China, which together account for roughly 60% of total exports — a concentration risk that the document ties directly to the broader lesson of preference-scheme fragility.

Introduction to the India-UK Free Trade Agreement



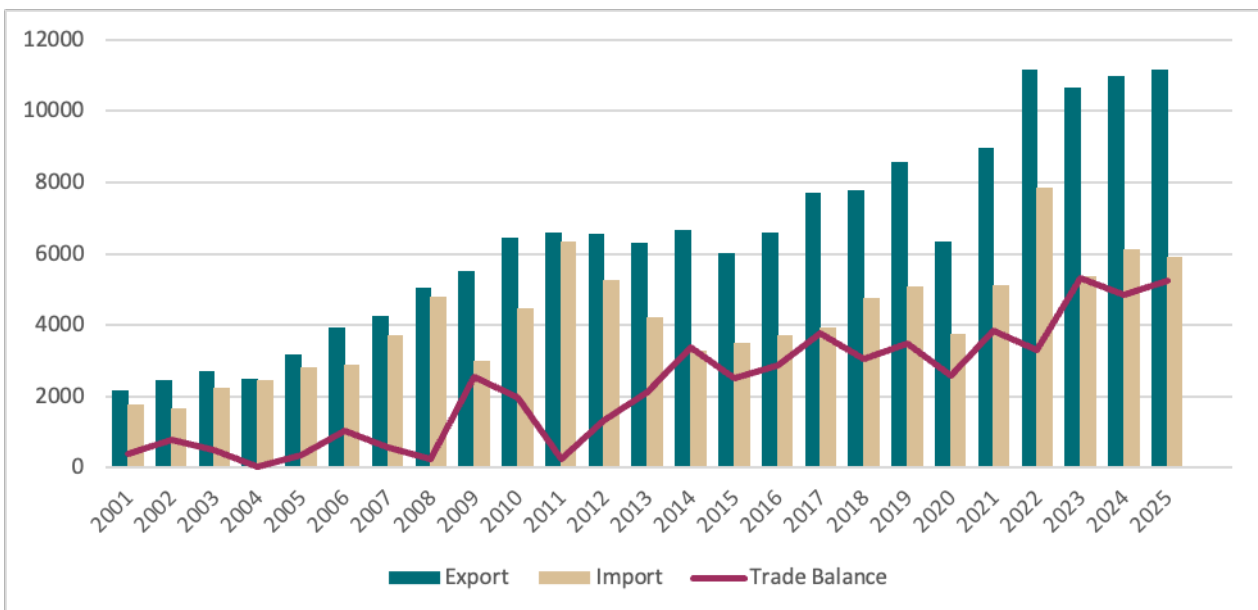
Introduction to the India-UK Free Trade Agreement

Background and Strategic Significance

The United Kingdom and the Republic of India concluded negotiations on a Comprehensive Free Trade Agreement (FTA) on 6 May 2025. The agreement was subsequently signed on 24 July 2025. Alongside the FTA, both nations have agreed to negotiate a Double Contributions Convention (DCC)¹, which will come into force in line with the wider trade deal.

The UK government describes this as "the best deal that any country has ever agreed with India," positioning it as a cornerstone of its post-Brexit "Global Britain" strategy and a critical enabler of the government's primary mission: securing sustained economic growth. For India, the agreement represents a deepening of its Comprehensive Strategic Partnership with the UK, centred on mutual economic growth, technological innovation, and collaboration on global challenges like climate change.

Figure 1: India's Goods Trade Balance with the UK (Euro Billion)



Source: Office for National Statistics (UK)

Strategically, the FTA is driven by shared geopolitical imperatives. Both nations seek to diversify supply chains away from China, enhance defence and technology cooperation (exemplified by the July 2024 Technology Security Initiative), and capitalise on India's rapid economic ascent. India is the fastest-growing economy in the G20², with growth expected to remain above 6% over at least the next five years. It has recently become the world's fifth-largest economy and is projected to become the third-largest by 2028³. By 2030, India's middle class is estimated to number 60 million, potentially reaching a quarter of a billion by 2050, while India's total import demand is projected to grow by 144% in real

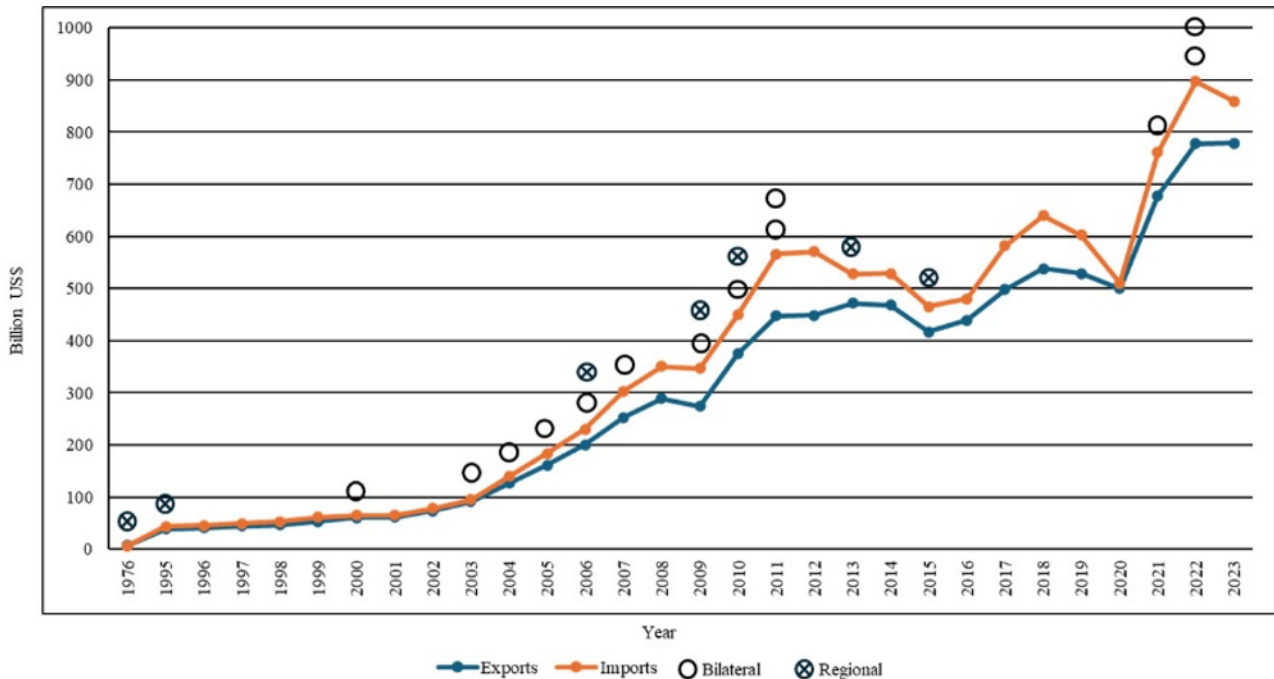
1. A **Double Contribution Convention (DCC)** is a reciprocal **social security agreement** between two countries. It ensures that cross-border workers and their employers do not have to pay social security (or National Insurance) contributions in both the host country and their home country for the exact same period.

2. The G20, or Group of Twenty, is the premier international forum for economic cooperation

3. <https://www.federalreserve.gov/econres/notes/feds-notes/india-and-the-global-economy-accessible-20260408>

terms between 2021 and 2035, reaching €1.4 trillion⁴. Despite these opportunities, UK businesses have historically faced significant barriers. India maintains the highest average tariffs of any G20 economy, with some products facing duties above 100%. It is ranked as the eighth most restrictive services market by the OECD and has an uncertain regulatory environment. A Grant Thornton survey cited by the UK government found that 42% of UK businesses without an existing presence in India plan to build one within two years, and 96% of those with an existing presence plan to expand further, with 72% stating that an FTA would encourage them to explore opportunities⁵.

Figure 2: India's Trade Growth and Trade Agreements (1976-2023)






Source: AIB Insights

Trade in Goods and Tariff Reduction

Through this deal, India will remove or reduce tariffs on 90% of tariff lines, covering 92% of existing goods imports from the UK. India will cut tariffs worth approximately €400 million annually, which is projected to more than double to around €900 million after ten years of staging⁶.

Indian Exports to UK

Industrial & Manufacturing




	Steel Products	PRE: 0–10%	Tariff-free quotas (staged); 50% over-quota
	Motor Vehicles	PRE: 10–22%	Reduced to 0–10% over 8 years
	Organic Chemicals	PRE: 0–6.5%	Tariff-free immediately

4. <https://committees.parliament.uk/writtenevidence/151994/html>





5. <https://www.grantthornton.co.uk/news-centre/indian-businesses-eye-the-uk-for-global-expansion/>

6. "UK-India CETA Chapter 2: Trade in Goods," GOV.UK

Textiles & Lifestyle




	Textiles & Apparel	PRE: Up to 12%	Staged removal over 5–7 years
	Leather & Footwear	PRE: 8–16%	70% free immediately
	Gemstones & Jewellery	PRE: 0–2.5%	Tariff-free immediately

Food, Pharma & Agriculture




	Pharmaceuticals	PRE: 0%	Remains 0%
	Basmati Rice	PRE: €145–€224/t	Tariff-rate quota introduced
	Processed Seafood	PRE: 6–20%	Reduced to 0–6% over 5 years
	Coffee & Tea	PRE: 0–8%	Tariff-free immediately

UK Exports to India




Industrial & Manufacturing

	All Industrial Goods	PRE: 15%	64% tariff-free immediately; rest reduced
	Cars (ICE & EV)	PRE: Up to 110%	10% under quota; transitions to EV/hybrid
	Aircraft & Instruments	PRE: Varies	Tariff-free immediately

Consumer Goods & Spirits

	Scotch Whisky	PRE: 150%	75% immediately, staged to 40% (Yr 10)
	Gin	PRE: 150%	75% immediately; staged to 40% from Yr 10
	Cosmetics & Toiletries	PRE: Up to 22%	Removed immediately

Food, Pharma & Agriculture

	Lamb	PRE: 33%	Tariff reductions secured
	Salmon & Cod	PRE: Varies	Tariff-free immediately
	Confectionery & Drinks	PRE: Varies	Tariff-free after 10 years

India – UK FTA: Overview

The India-UK Free Trade Agreement (FTA) marks a significant shift in India's trade policy, introducing regulatory standards that depart from its past bilateral agreements.

Most notably, this treaty marks the first time India has included dedicated chapters on Labour, Gender Equality, and Anti-Corruption within a preferential trade pact. Furthermore, the environmental enforcement clauses bind both nations to strict sustainability metrics, representing the highest environmental commitments India has ever accepted in a trade negotiation.

Rules of Origin and Product Cumulation

To prevent third-party trade diversion and protect established regional supply chains, the agreement institutes strict rules of origin alongside specific bilateral flexibilities.

Eligible goods must satisfy the criteria of being either wholly obtained or undergoing substantial economic transformation within the domestic territories of the signing parties. To protect specialized cross-border manufacturing, the text permits regional cumulation. For example, Northern Irish whiskey may utilize raw inputs (barley or unaged spirit) sourced from the Republic of Ireland and undergo in-transit bottling without forfeiting its preferential tariff eligibility.

Cross-Border Mobility and Social Security Harmonization

To streamline corporate transfers and reduce double-taxation frictions on human capital, the agreement incorporates a dedicated Double Contributions Convention. Under this framework, expatriate employees and their employers are exempted from concurrent social security liabilities in both jurisdictions.

Personnel deployed on assignments for durations not exceeding three (3) years remain under the statutory coverage of their home country's social security infrastructure. This mechanism prevents the fragmentation of long-term pension and benefit records.

Market Access in Government Procurement

The agreement opens up major opportunities in public procurement by liberalizing roughly 40,000 government tenders each year, worth at least €38 billion. These new rules apply to most central government departments and a specific list of federal state-owned enterprises (SOEs).

UK companies will now be treated as "Class 2" suppliers as long as at least 20% of their product or service originates in the UK. Previously, this preferred status was strictly reserved for domestic Indian companies.

However, there is a major limitation - the deal completely excludes state-level procurement. Because individual Indian states do not have to follow these rules, a massive portion of India's public spending remains protected from British competition.

Services and Digital Trade Limitations

Despite the UK's strong competitive edge in services, the agreement fails to secure deep market access within the services and digital chapters.

Table 1: Overview of Sector Treatment Under the Trade Corridor

Liberalized Sectors	Restricted / Excluded
Telecommunications	Legal Services
Construction	Banking Caps (74%)
Environment	Data Localisation

While the agreement guarantees national treatment and eliminates commercial presence requirements for telecommunications, construction, and environmental services, it falls short on high-value segments. As observed by the UK House of Lords, the FTA remains fundamentally "goods-focused" and yields limited breakthrough liberalization for the services economy.

Legal services are entirely excluded from the text. In financial services, market access gains are modest; foreign equity ownership in Indian banking and insurance entities remains capped at 74%, and the text fails to dismantle India's restrictive branching and licensing protocols for foreign banking institutions. The digital chapter lacks binding, modernized commitments concerning cross-border data flows and the removal of data localization mandates.

Macroeconomic Exposure: The Carbon Tariff Deficit

The most critical structural risk within the treaty text is its complete silence on future border carbon adjustments. The FTA contains no provisions mitigating or anticipating the UK's upcoming Carbon Border Adjustment Mechanism (CBAM).

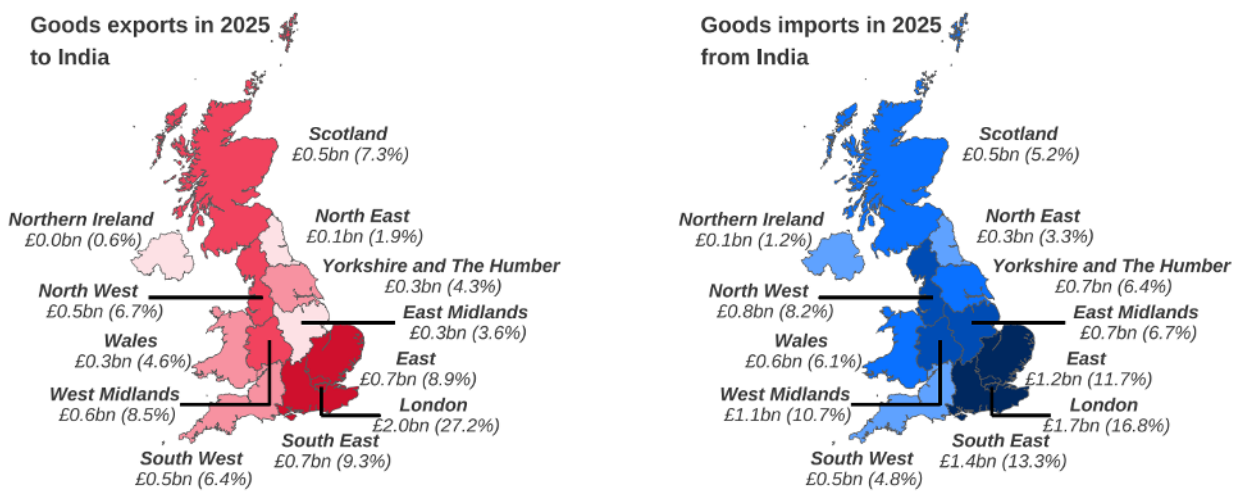
Consequently, Indian industrial exporters operating in high-emission sectors remain fully exposed to unilateral British carbon border tariffs. This omission creates a significant regulatory friction point that threatens to neutralize the nominal tariff eliminations secured in the goods chapter, directly impacting the steel, cement and aluminum sectors.

The India–UK free trade agreement—signed July 24, 2025—is stalled ahead of its expected May 2026 implementation due to the UK's new steel import regime. Starting July 1, 2026, the UK will cut tariff free steel quotas by 60% and impose 50% tariffs on over quota shipments, complicating India's export plans. This steel safeguarding issue from the UK side has become a major sticking point, as New Delhi seeks stable, predictable access for its steel products. The UK, however, insists on protecting its domestic industry from potential surges in imports. Consequently, the unresolved disagreement over these stringent safeguard measures threatens to delay or even derail the FTA's rollout, undermining the momentum of the recently signed agreement.

Bilateral Trade: India and the United Kingdom

The UK-India trade is heavily concentrated in London and southern England. London is the primary export hub, generating €2.0 billion (27.2%) of UK goods sent to India, supported by the South East (9.3%) and East of England (8.9%). Inbound trade follows a similar pattern but extends further into industrial northern supply chains, with London leading imports at €1.7 billion (16.8%), followed by the South East (13.3%), East of England (11.7%), and the West Midlands (10.7%). Ultimately, London and the South East act as the core economic engine for this bilateral corridor, handling over a third of all total trade shipments.

Figure 3: UK regional trade with India



Source: HMRC RTS

India's goods exports to the United Kingdom

HS 2 Level: Top 5 Products

2024 TOTAL VALUE
11.2 Euro Billion
 ↑ 80.1% since 2020

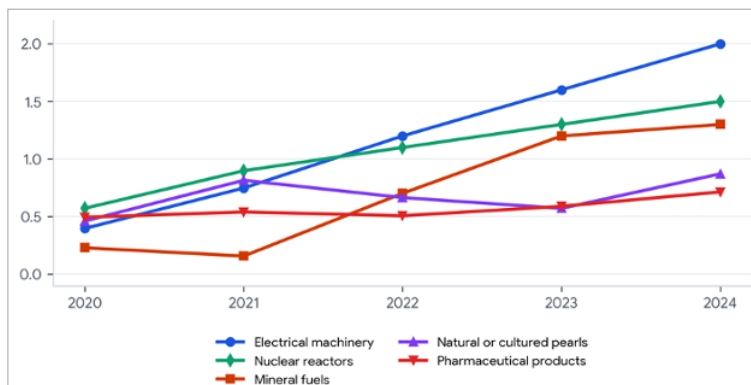


Table 2: Top 5 Indian exports to the UK (2020-2024) at the HS 2 Level

Code	Product Label	2020	2021	2022	2023	2024
85	Electrical machinery	397 M	748 M	1.2 B	1.6 B	2.0 B
84	Nuclear reactors	572 M	898 M	1.1 B	1.3 B	1.5 B
27	Mineral fuels	229 M	157 M	702 M	1.2 B	1.3 B
71	Natural or cultured pearls	461 M	815 M	665 M	571 M	871 M
30	Pharmaceutical products	494 M	540 M	507 M	589 M	714 M

Source: ITC Trade Map

HS 6 Level: Top 5 Products

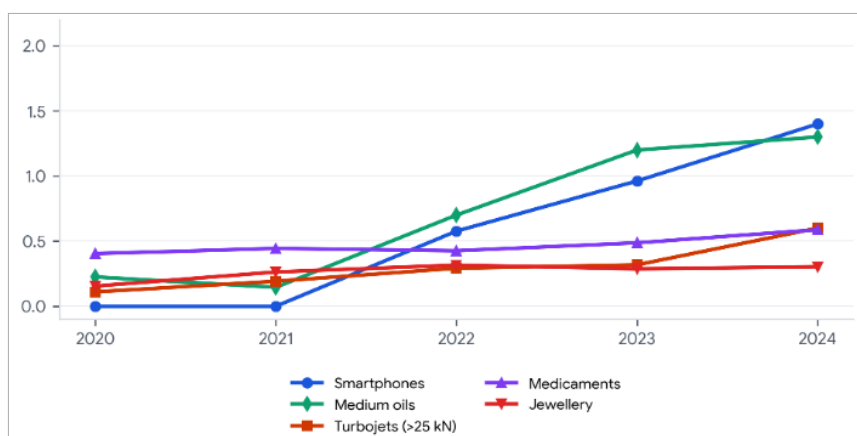


Table 3: Top 5 Indian exports to the UK (2020-2024) at the HS 6 Level

Code	Product Label	2020	2021	2022	2023	2024
851713	Smartphones	0	0	577 M	962 M	1.4 B
271019	Medium oils	225 M	145 M	700 M	1.2 B	1.3 B
841112	Turbojets (>25 kN)	110 M	192 M	292 M	318 M	600 M
300490	Medicaments	404 M	444 M	426 M	487 M	588 M
711319	Jewelry	155 M	263 M	316 M	288 M	303 M

Source: ITC Trade Map

India's imports from the United Kingdom

HS 2 Level: Top 5 Products

2024 TOTAL VALUE

5.9 Euro Billion

↑ 137.1% since 2020

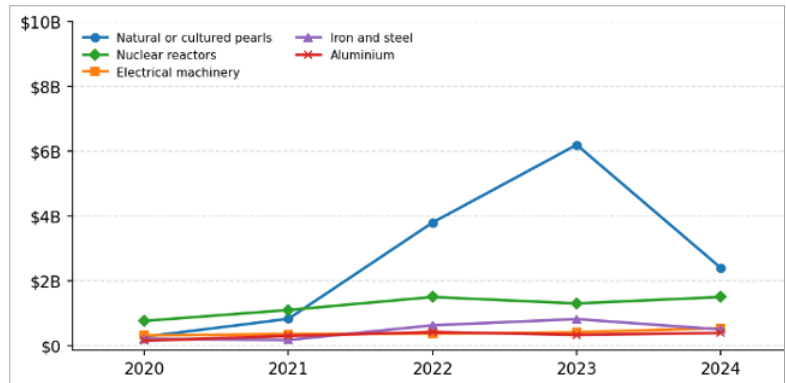


Table 4: Top 5 Indian imports to the UK (2020-2024) at the HS 2 Level

Code	Product Label	2020	2021	2022	2023	2024
71	Natural or cultured pearls	271 M	827 M	3.8 B	6.2 B	2.4 B
84	Nuclear reactors	761 M	1.1 B	1.5 B	1.3 B	1.5 B
85	Electrical machinery	313 M	354 M	368 M	410 M	540 M
72	Iron and steel	209 M	173 M	627 M	818 M	499 M
76	Aluminium and articles	151 M	298 M	417 M	333 M	388 M

Source: ITC Trade Map

HS 6 Level: Top 5 Products

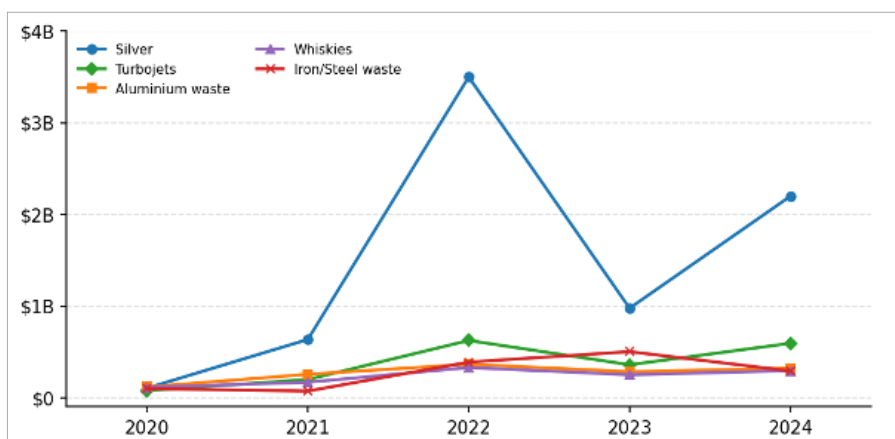


Table 5: Top 5 Indian imports to the UK (2020-2024) at the HS 6 Level

Code	Product Label	2020	2021	2022	2023	2024
710691	Silver, unwrought	106 M	637 M	3.5 B	978 M	2.2 B
841112	Turbojets > 25 kN	79 M	200 M	626 M	361 M	595 M
760200	Aluminium waste	119 M	257 M	367 M	285 M	323 M
220830	Whiskies	115 M	170 M	331 M	252 M	296 M
720449	Iron/Steel waste	101 M	74 M	390 M	504 M	293 M

Source: ITC Trade Map

Services Trade

Between 2020 and 2025, services trade between India and the UK expanded significantly. India consistently maintained a positive trade balance, with its exports to the UK systematically outpacing imports. India's services exports grew from just over 5 billion in 2020 to approximately 17.5 billion in 2025, while imports rose from around 5 billion to over 13 billion, driving the trade surplus to a peak in 2024 before a slight dip in 2025.

Figure 4: India's Services Trade Balance with the UK (Euro Billions)



Source: Office of National Statistics (UK)

In 2025, UK services exports to India were heavily dominated by the Travel sector, which accounted for a massive 61.0% of the total, valued at €8.1 billion. The remaining major segments consisted of Telecommunications, computer, and information services at €1.6 billion (11.7%) and Other Business Services at €1.3 billion (9.4%).

Conversely, the UK's imports from India in 2025 were heavily concentrated in corporate and professional services. Other Business Services led the categories by a wide margin, making up 66.7% of the total at €11.7 billion. This was followed by Telecommunications, computer, and information services at €2.3 billion (13.3%) and Travel, which also stood at €2.3 billion (13.1%).

Table 6: Top 3 services exports from UK to India

Service type	Exports 2025	Percentage of total services exports
Travel	€8.1 billion	61.0%
Telecommunications, computer and information services	€1.6 billion	11.7%
Other Business Services	€1.3 billion	9.4%

Source: Office of National Statistics (UK)

Table 7: Top 3 services imports of UK from India

Service type	Imports 2025	Percentage of total services exports
Other Business Services	€11.7 billion	66.7%
Telecommunications, computer and information services	€2.3 billion	13.3%
Travel	€2.3 billion	13.1%

Source: Office of National Statistics (UK)

Foreign Direct Investment

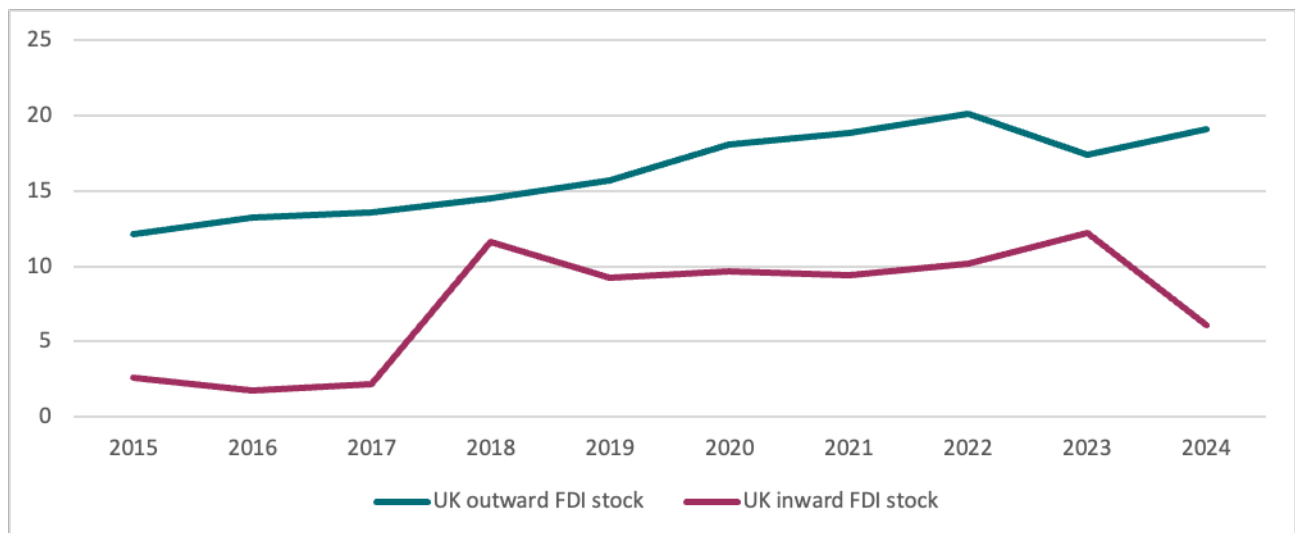
India is the second-largest source of Foreign Direct Investment (FDI) into the UK after the United States. Indian companies invested in 108 projects, creating 7,533 new jobs. Furthermore, 971 Indian companies operating in the UK generated combined revenues of nearly €68.09 billion, paid over €1.17 billion in corporate tax, and employed 118,430 people (excluding UK branch employees)⁷. Additionally, over 65,000 companies are owned by the Indian diaspora; a sample of 654 such companies recorded combined revenues of €36.84 billion, paid over €1 billion in corporate tax, invested over €2 billion in capital expenditure, and created over 174,000 jobs⁸.

Conversely, the UK is the sixth-largest inward investor in India, following Mauritius, Singapore, the USA, the Netherlands, and Japan. Cumulative UK equity investment stood at €32.31 billion, accounting for approximately 5.17% of total FDI into India. There are 635 British companies operating in India with a combined turnover of roughly €45.21 billion, directly employing 666,992 people⁹. The India Meets Britain Tracker 2026, reveals a dramatic surge in Indian-owned companies operating in the UK. The number of Indian-owned firms has risen to 1,912 — a nearly 60% year-on-year increase from 1,197 in 2025. Their combined turnover has grown to €105.77 billion, up from €72.14 billion, while total employment by these companies has reached 203,549 (compared to 126,720 previously).

The presence of Indian banks in the UK dates back to 1921 with the Imperial Bank (now State Bank of India UK). Bank of India became the first Indian bank to open a branch in Manchester in 1962. Currently, 11 Indian banks operate in the UK¹⁰. Major Indian corporates have also strengthened their UK footprint, exemplified by Tata Group’s acquisition of Tetley tea and Jaguar Land Rover, alongside Vedanta, Infosys, Wipro, HCL, and many more. These deep and diverse investment linkages underscored the strategic case for an ambitious India-UK FTA to further enhance bilateral FDI flows¹¹.

The figure below presents the stock of FDI to and from India and the UK between 2015 and 2024 in € billions.

Figure 5: Stock of FDI between UK and India (Euro Billion)



Source: Office of National Statistics (UK)

7. UK Department for Business and Trade (DBT), Inward Investment Statistics 2023–2024
 8. Confederation of Indian Industry (CII) and Grant Thornton, India Meets UK Report 2024
 9. Grant Thornton and Federation of Indian Chambers of Commerce & Industry (FICCI), India in the UK: The Diaspora Effect.
 10. Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India (FDI equity inflows data, April 2000 to March 2024)
 11. Confederation of Indian Industry (CII) and Grant Thornton, Britain Meets India Tracker 2023.

Financial and Technical Cooperation Mechanisms

According to the Reserve Bank of India's census on foreign liabilities and assets for 2024-25, the United Kingdom is now the fourth-largest source of foreign direct investment (FDI) into India, accounting for 11.2% of total FDI inflows. This marks a significant increase from the previous share of 5.17%, reflecting the growing depth of the investment relationship.

The India-UK Financial Partnership (IUKFP) welcomed the Partnership's success in deepening financial sector ties and noted its recommendations from the report '*Catalysing bilateral growth: Connecting India and the UK's equity capital markets*'.

The IUKFP has identified three new areas of focus for future work:

1. Innovation and Artificial Intelligence (AI) in Financial Services
2. Green Finance
3. Asset Management and Investment

Both sides acknowledged the opportunities that overseas equity listings offer to broaden access to global investors. India has recently allowed direct listing in GIFT City¹², paving the way for Indian companies to list in international jurisdictions, including the London Stock Exchange.

The London Stock Exchange remains the premier international venue for rupee-denominated Masala bonds¹³. As of June 2026, 30 offshore Indian rupee bonds have been listed in total on the LSE, raising €3.23 billion.

12. GIFT City stands for Gujarat International Finance Tec-City. It is India's first operational greenfield smart city and its premier International Financial Services Centre (IFSC)
13. Masala Bonds are Rupee-denominated bonds issued by Indian entities (corporates or the government) in overseas capital markets.

Pakistan's Current Trade Relationship with the UK



Pakistan’s Current Trade Relationship with the UK

The trade relationship between Pakistan and the United Kingdom is robust and growing, with bilateral trade reaching a record high of over €5.5 billion, establishing the UK as Pakistan's third-largest export destination and its most significant economic partner in Europe. This partnership is characterized by a strong UK investment presence, with more than 200 British companies operating in Pakistan and contributing over €3.00 billion in investment, playing a vital role in employment, technology transfer, and tax revenues. The relationship is also being institutionalized and expanded through the newly signed Trade Dialogue Mechanism Agreement, which aims to reduce trade barriers and enhance cooperation in priority sectors like digital trade, renewable energy, agriculture, and pharmaceuticals. With both sides committed to turning political goodwill into economic growth and with Pakistan's exports benefiting from zero-tariff access under the UK's Developing Countries Trading Scheme, the foundation is set for deepening this historic economic partnership.

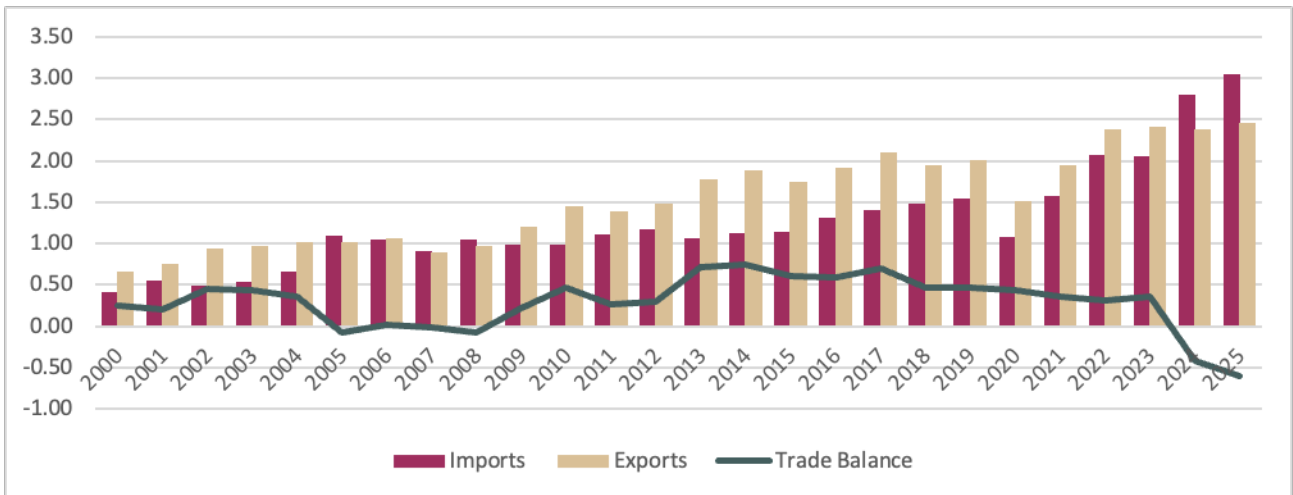
TOTAL TRADING PARTNER
15th
 accounting for 5.3% of total PK’s trade

LARGEST EXPORT MARKET
3rd
 accounting for 6.78% of total PK’s exports

LARGEST IMPORT MARKET
19th
 accounting for 1.01% of total PK’s imports

The provided chart illustrates Pakistan's goods trade balance with the UK from 2000 to 2025, showing a general upward trend in both imports and exports over the 25-year period. While Pakistan consistently maintained a positive trade balance (trade surplus) for most of these years due to exports exceeding imports, this trend shifted dramatically towards the end. In 2024 and 2025, imports surged significantly to surpass 3 billion, while exports slightly declined or stagnated, causing the trade balance to plummet sharply into a deficit.

Figure 6: Pakistan's Trade Balance with the UK (Euro Billion)



Source: Office of National Statistics (UK)

Pakistan's goods exports to United Kingdom

HS 2 Level: Top 5 Products

2025 TOTAL VALUE

2 Euro Billion

↑ 40.1% since 2020

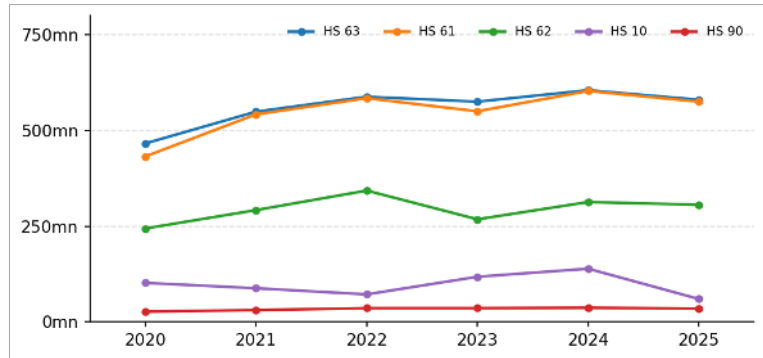


Table 8: Top 5 exports from Pakistan to UK at the HS2 Level in Euros

Code	Product Label	2020	2021	2022	2023	2024	2025
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	466 M	549 M	588 M	575 M	605 M	580 M
61	Articles of apparel and clothing accessories, knitted or crocheted	432 M	542 M	584 M	550 M	603 M	575 M
62	Articles of apparel and clothing accessories, not knitted or crochated	244 M	292 M	343 M	268 M	313 M	306 M
10	Cereals	102 M	88 M	72 M	118 M	139 M	60 M
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	27 M	31 M	36 M	36 M	37 M	35 M

Source: ITC Trade Map

HS 6 Level: Top 5 Products

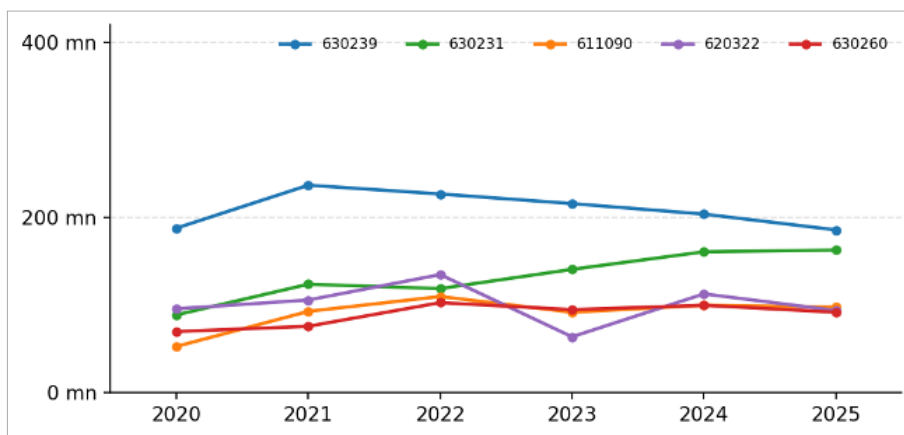


Table 9: Top 5 exports from Pakistan to UK at the HS6 Level in Euros

Code	Product Label	2020	2021	2022	2023	2024	2025
630239	Bedlinen of textile materials	188 M	237 M	227 M	216 M	204 M	186 M
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	89 M	124 M	119 M	141 M	161 M	163 M
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted or crocheted	53 M	93 M	110 M	92 M	100 M	98 M
620322	Men's or boys' ensembles of cotton	96 M	106 M	135 M	64 M	113 M	94 M
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	70 M	76 M	103 M	95 M	100 M	92 M

Source: ITC Trade Map

United Kingdom's exports to Pakistan

HS 2 Level: Top 5 Products

2025 TOTAL EXPORTS

683 million

↑ 19.4% since 2020

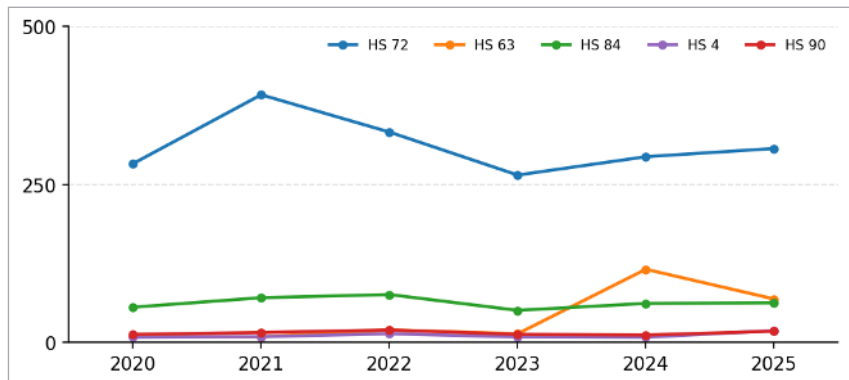


Table 10: Top 5 imports of Pakistan from UK at the HS2 Level in Euros

Code	Product Label	2020	2021	2022	2023	2024	2025
72	Iron and steel	283 M	392 M	333 M	265 M	294 M	307 M
63	Other made-up textile articles	9.9 M	9.2 M	20 M	14 M	116 M	69 M
84	Nuclear reactors, boilers, machinery and mechanical appliances	56 M	71 M	76 M	51 M	62 M	63 M
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin	8.4 M	9.4 M	14 M	8.9 M	8.4 M	19 M
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	13 M	16 M	20 M	13 M	12 M	18 M

Source: ITC Trade Map

HS 6 Level: Top 5 Products

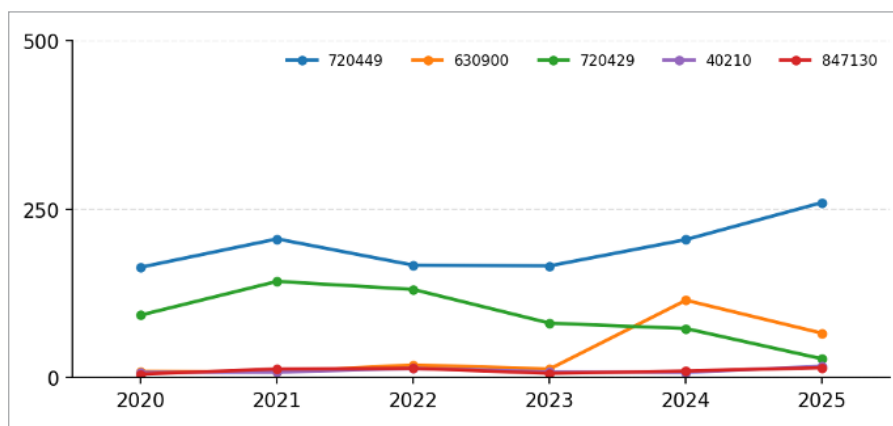


Table 11: Top 5 imports of Pakistan from UK at the HS6 Level in Euros

Code	Product Label	2020	2021	2022	2023	2024	2025
720449	Waste and scrap of iron or steel	164 M	206 M	167 M	166 M	205 M	260 M
630900	Worn clothing and clothing accessories	9.5 M	8.9 M	19 M	13 M	115 M	66 M
720429	Waste and scrap of alloy steel	93 M	143 M	131 M	81 M	73 M	28 M
40210	Milk and cream in solid forms	7.9 M	8.3 M	14 M	8.8 M	8 M	17 M
847130	Data-processing machines, automatic, portable	5.3 M	13 M	14 M	6.5 M	10 M	15 M

Source: ITC Trade Map

The DCTS: Pakistan's Key Benefit

Pakistan's preferential access to the UK market is anchored in the Developing Countries Trading Scheme (DCTS), which came into force on 19 June 2023, replacing the EU-inherited Generalized Scheme of Preferences. The DCTS was designed as a simpler and more generous framework for boosting trade with developing economies, and Pakistan retained its Enhanced Preferences status under the new system.

Under these enhanced terms, 94% of Pakistan's goods exports to the UK now enter duty-free. The scheme went further by eliminating tariffs on more than 156 additional products. The remaining roughly 6% of Pakistan's export basket falls outside DCTS coverage and is subject to the UK Global Tariff — the standard Most Favored Nation rates the UK applies to non-preferential trading partners. The financial impact of these preferences is substantial: an estimated €120 million in tariffs is saved annually on Pakistani exports to the UK. Textiles and apparel are the primary beneficiaries, with bed linen (over €250 million in average annual exports) and jeans (nearly €100 million) each receiving a 12% reduction in import duty — among the largest concessions in the scheme¹⁴.

In July 2025, the UK government strengthened the DCTS further by reforming its Rules of Origin requirements, which determine whether a product genuinely "originates" from Pakistan and therefore qualifies for preferential rates. These changes were particularly aimed at easing access for garment manufacturers, addressing one of the more technical barriers that had limited uptake of the scheme. Looking ahead, Pakistan has formally proposed a Free Trade Agreement with the UK, positioning it as the next logical step in a deepening trade relationship. An FTA would build on the DCTS foundation, potentially locking in and extending preferential access beyond what the current scheme offers.

Key B2B Platforms and Trade Facilitators

The Pakistan Britain Business Council (PBBC)

The PBBC serves as a strategic platform for fostering high-level business and policy connections, acting as a crucial bridge for dialogue between corporate leaders and government officials from both nations. The council actively establishes frameworks for official policy discussions, recently highlighted by its hosting of the Pakistan Tech Forum at the House of Lords during London Tech Week. This initiative successfully united key entities like the Pakistan Software Export Board (PSEB) with British investors to deepen digital cooperation. Beyond policy dialogue, the PBBC aggressively showcases Pakistan's technology ecosystem on the global stage, curating dedicated national pavilions at major international exhibitions like DTX London to help Pakistani tech firms secure visibility and generate active commercial leads. Furthermore, the council facilitates direct market entry by organizing targeted outbound trade missions, such as establishing a dedicated UK Pavilion at the Pakistan Travel Mart to link British travel and tourism operators directly with the Pakistani market.

The UK-Pakistan Chamber of Commerce and Industry (UKPCCI)

While the PBBC leads high-level policy and sector showcasing, the UKPCCI focuses dynamically on direct business-to-business (B2B) commercial matchmaking and mobilizing cross-border investment capital. The core operational mandate of the chamber centers on streamlining international sourcing by connecting UK importers directly with reliable Pakistani suppliers. A vital pillar of the UKPCCI's strategy involves mobilizing the extensive Pakistani diaspora within the UK, encouraging targeted investment

14. <https://tribune.com.pk/story/2422842/pakistan-to-benefit-from-uks-new-trading-scheme>

back into Pakistan through structured joint ventures, international franchising models, and early-stage startup incubation. Forward-looking in its approach, the chamber consistently explores emerging technology and sustainable green sectors. During recent ministerial engagements with Pakistan's Ministry of Commerce, the chamber advanced discussions on technology transfers for introducing solar-powered heating appliances to the Pakistani domestic market, while concurrently building secure, compliant agricultural supply chains to export premium fresh produce directly to major UK supermarket retailers.

Pakistan vs India in the UK Market







Pakistan vs India in the UK Market

Until mid-2025, Pakistan maintained a meaningful tariff edge over India across most consumer and industrial goods in the United Kingdom. British brands importing apparel and textile items from India were subject to the standard UK Global Tariff rate of 12%, whereas Pakistan benefited heavily from the DCTS, which systematically reduced import duty costs for UK buyers sourcing from Pakistani vendors. This dynamic changed when India and the UK signed a landmark Free Trade Agreement (FTA) under the Comprehensive Economic and Trade Agreement (CETA) framework on July 24, 2025. While the trade pact is not yet legally in force due to ongoing parliamentary and ratification procedures, its full implementation is widely expected to take effect during 2026, meaning Pakistan's window of absolute tariff exclusivity is rapidly closing.

For the time being, Pakistan continues to hold a substantial price advantage over India across primary manufacturing portfolios. This buffer is especially vital in the home textiles sector, where Indian equivalents like cotton bedsheets and towels face standard duties of 8–10%. This preference effectively insulates more than €250 million in annual Pakistani bed linen shipments and approximately €100 million in denim jeans from direct Indian price competition. However, this cushion will dissolve once the FTA comes into force .

Table 12: Pakistan's Competitive Advantages in the UK Market

 <p>Tariff Advantage 10-12% duty-free access under DCTS, providing a temporary price edge over Indian textiles.</p>	 <p>Sports Monopoly Sialkot cluster produces 70% of the world's hand-stitched footballs—a niche India doesn't compete in.</p>
 <p>Surgical Precision Reliable €34.9 million annual exports in medical instruments with deeply rooted manufacturing expertise.</p>	 <p>Agile Production Superior cotton quality & lower MOQs preferred by boutique British fashion brands.</p>

The structural takeaway for trade policymakers and exporters alike is clear. To survive the post-FTA landscape, the competitive response cannot rely on static tax preferences. Exporters must utilize this remaining transition period to aggressively move up the value chain into specialized, high-margin categories, while simultaneously embedding themselves into UK retail networks and locking in long-term buyer relationships before the India-UK agreement fully levels the playing field.

Export Portfolio Diversification Matrix

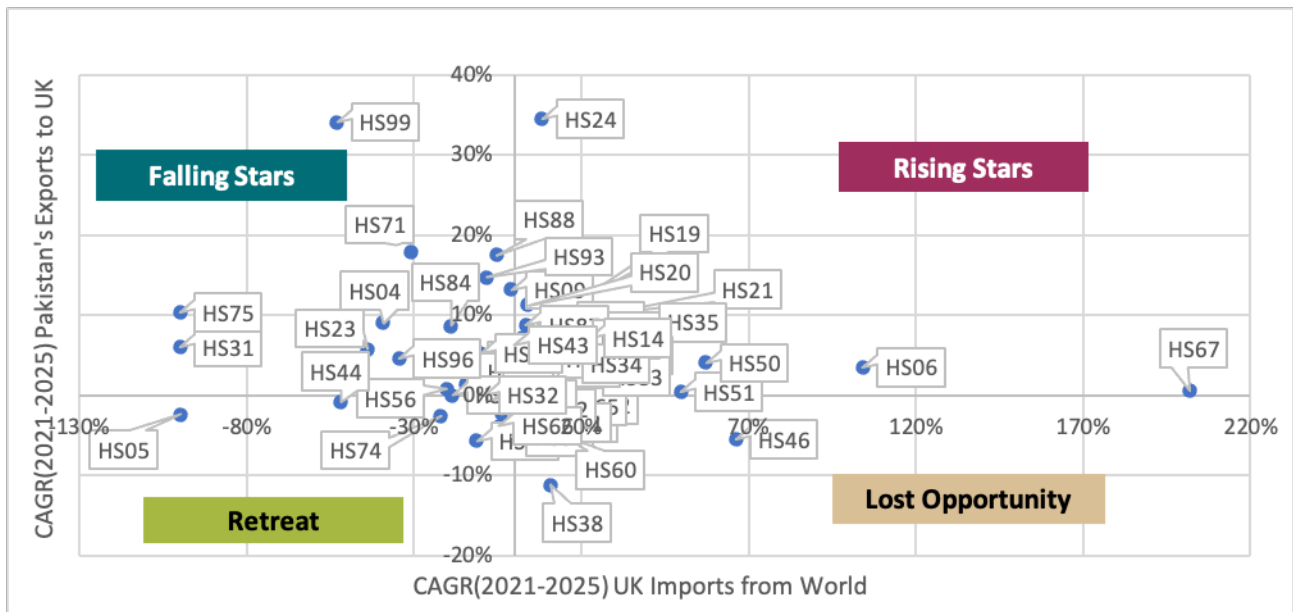


Export Portfolio Diversification Matrix

This matrix maps the strategic trade dynamics between Pakistan and the United Kingdom across the 2021–2025 period utilizing the Export Performance Dynamics (EPD) framework. By evaluating the Compound Annual Growth Rate (CAGR) of Pakistan's exports against the backdrop of total UK import demand from the world, we can identify structural shifts, systemic vulnerabilities, and unrealized potential.

Quadrant	Dynamic
Rising Stars	Both UK market and PK exports expanding
Lost Opportunity	UK market contracting, but PK exports growing
Falling Stars	UK market growing, but PK exports contracting
Retreat	Both UK market and PK exports contracting

Figure 7: EPD Matrix – Pakistan’s exports to the UK



Source: Calculated by the author using ITC data

Rising Stars

Table 13: Rising Star Segment – Pakistan's Exports to the UK

HS Code	Product	CAGR (2021-2025) PK's Exports to UK	CAGR (2021-2025) UK Imports from World
HS61	Articles of apparel and clothing accessories, knitted or crocheted	0.01	0.01
HS62	Articles of apparel and clothing accessories, not knitted or crocheted	0.01	0.02
HS90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	0.02	0.07
HS42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	0.02	0.03
HS19	Preparations of cereals, flour, starch or milk; pastrycooks' products	0.19	0.12
HS20	Preparations of vegetables, fruit, nuts or other parts of plants	0.04	0.11
HS21	Miscellaneous edible preparations	0.29	0.10
HS64	Footwear, gaiters and the like; parts of such articles	0.03	0.02
HS48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.16	0.04
HS17	Sugars and sugar confectionery	0.14	0.09
HS07	Edible vegetables and certain roots and tubers	0.05	0.06
HS03	Fish and crustaceans, molluscs and other aquatic invertebrates	0.03	0.03
HS33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.20	0.08
HS35	Albuminoidal substances; modified starches; glues; enzymes	0.10	0.08
HS87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	0.03	0.09
HS59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...	0.02	0.03
HS30	Pharmaceutical products	0.13	0.04
HS85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	0.23	0.05
HS83	Miscellaneous articles of base metal	0.22	0.02
HS12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	0.07	0.03
HS15	Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; ...	0.09	0.05
HS67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ...	2.02	0.01
HS24	Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine, ...	0.08	0.35
HS11	Products of the milling industry; malt; starches; inulin; wheat gluten	0.19	0.07
HS34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	0.16	0.04
HS14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0.22	0.07
HS50	Silk	0.57	0.04
HS06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	1.04	0.04

Source: ITC Trade Map

Lost Opportunity

Table 14: Lost Opportunity Segment – Pakistan's Exports to the UK

HS Code	Product	CAGR (2021-2025) PK's Exports to UK	CAGR (2021-2025) UK Imports from World
HS63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.01	-0.02
HS58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.06	-0.03
HS72	Iron and steel	0.12	-0.01
HS65	Headgear and parts thereof	0.09	-0.01
HS60	Knitted or crocheted fabrics	0.14	-0.05
HS41	Raw hides and skins (other than furskins) and leather	0.04	-0.03
HS38	Miscellaneous chemical products	0.11	-0.11
HS46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.66	-0.05

Source: ITC Trade Map

Retreat

Table 15: Retreat Segment – Pakistan's Exports to the UK

HS Code	Product	CAGR (2021-2025) PK's Exports to UK	CAGR (2021-2025) UK Imports from World
HS52	Cotton	-0.03	-0.02
HS55	Man-made staple fibres	-0.11	-0.06
HS54	Man-made filaments; strip and the like of man-made textile materials	-0.01	-0.05
HS57	Carpets and other textile floor coverings	-0.04	-0.02
HS40	Rubber and articles thereof	-0.06	-0.01
HS74	Copper and articles thereof	-0.22	-0.03
HS53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	-0.06	-0.01
HS66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof	-0.04	-0.04
HS44	Wood and articles of wood; wood charcoal	-0.52	-0.01
HS05	Products of animal origin, not elsewhere specified or included	-1.00	-0.02

Source: ITC Trade Map

Falling Stars

Table 16: Falling Star Segment – Pakistan's Exports to the UK

HS Code	Product	CAGR (2021-2025) PK's Exports to UK	CAGR (2021-2025) UK Imports from World
HS10	Cereals	-0.07	0.04
HS09	Coffee, tea, maté and spices	-0.01	0.13
HS69	Ceramic products	-0.06	0.01
HS25	Salt; sulphur; earths and stone; plastering materials, lime and cement	-0.14	0.01
HS82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	-0.09	0.01
HS22	Beverages, spirits and vinegar	-0.12	0.04
HS76	Aluminium and articles thereof	-0.02	0.05
HS73	Articles of iron or steel	-0.13	0.02
HS88	Aircraft, spacecraft, and parts thereof	-0.05	0.18
HS71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	-0.31	0.18
HS84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	-0.19	0.09
HS68	Articles of stone, plaster, cement, asbestos, mica or similar materials	-0.15	0.03
HS70	Glass and glassware	-0.08	0.01
HS96	Miscellaneous manufactured articles	-0.34	0.05
HS23	Residues and waste from the food industries; prepared animal fodder	-0.44	0.06
HS93	Arms and ammunition; parts and accessories thereof	-0.08	0.15
HS56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	-0.20	0.01
HS91	Clocks and watches and parts thereof	-0.10	0.05
HS04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere ...	-0.39	0.09
HS99	Commodities not elsewhere specified	-0.53	0.34
HS31	Fertilisers	-1.00	0.06
HS75	Nickel and articles thereof	-1.00	0.10

Source: ITC Trade Map

The Rising Stars quadrant highlights 28 sectors where Pakistan is successfully capturing market share within a growing UK import market. Core apparel sectors; knitted (HS61) and woven (HS62) maintain steady 1% growth. Concurrently, non-traditional sectors are diversifying the portfolio, led by a 23% surge in electrical machinery (HS85) and a 13% expansion in pharmaceuticals (HS30).

Value-added agribusiness is growing, outperforming raw commodities. Processed food preparations (HS21) increased by 29% export growth against a 10% UK market expansion, while cereal and pastry preparations (HS19) grew by 19%. This trend is complemented by niche outliers like live plants (HS06) at 104% growth and prepared feathers/artificial flowers (HS67) at 202%.

The Lost Opportunity quadrant features 8 sectors where Pakistan's exports are growing despite a contracting overall UK import market. Knitted or crocheted fabrics (HS60) grew by 14% against a 5%

global UK drop, while special woven fabrics (HS58) rose 6% (vs. 3% UK world decline). Furthermore, home textiles and made-up articles (HS63) managed a steady 1% growth despite a 2% global market contraction.

Beyond textiles, Pakistani suppliers are capturing larger shares of shrinking industrial and niche segments. Iron and steel (HS72) climbed 12% and raw hides/leather (HS41) rose 4%, outperforming minor UK market dips of -1% and -3% respectively as buyers pivot to cost-efficient secondary sources. Additionally, miscellaneous chemicals (HS38) posted a strong 11% growth against a steep -11% market collapse, while basketware/wickerwork (HS46) rose by 66% (vs. -5% UK world decline).

The Retreat quadrant represents a natural, structural phase-out across 10 sectors where both UK market demand and Pakistan's export capacity are simultaneously contracting. This downward trend is most apparent in low-value, upstream raw materials—specifically raw cotton (HS52), man-made staple fibers (HS55), and filaments (HS54). This collective decline indicates a healthy macroeconomic shift within Pakistan, as capital and resources organically migrate away from raw commodities and toward high-margin, value-added finished apparel.

Similarly, industrial and niche segments are experiencing orderly pullbacks in tandem with shrinking UK requirements. Non-ferrous metallurgy like copper (HS74), rubber (HS40), wood/charcoal (HS44), and legacy handicraft lines like carpets (HS57) all experienced steady contractions. The most extreme adjustment occurred in products of animal origin (HS05), which faced total trade cessation, marking a complete structural exit from a fading market.

The Falling Stars quadrant is most important for trade policymakers, highlighting 22 sectors where the UK market is expanding but Pakistan is dropping market share to international rivals. This competitive erosion is starkly visible in core agribusiness lines, including coffee, tea, and spices (HS09), cereals/rice (HS10), and dairy products (HS04), which all contracted despite growing UK global demand. This indicates severe domestic supply-chain friction or a failure to meet strict compliance standards.

A parallel retreat is happening across high-value technical manufacturing, heavy machinery, and minerals. Industrial machinery (HS84), aviation components (HS88), and precious metals/stones (HS71) all missed massive UK global market expansions. Downstream industrial inputs like articles of iron/steel (HS73) and aluminum (HS76) saw sharp declines as well, capped by complete trade cessations in fertilizers (HS31) and nickel (HS75), signaling a need for targeted regulatory and structural interventions.

Recommendations



Recommendations

The recent trade deal between India and the United Kingdom is not a judgment on Pakistan's potential. It is simply a sign that the old way of thinking no longer works. In the past, Pakistan relied on having small advantages over others in traditional markets. That approach is now outdated.

Spending time and energy worrying about India's success takes away from the work needed to build Pakistan's own economy. The real question should not be "How do we compete with India?" but rather "What can we offer the world that India cannot?"

The path forward is difficult but clear: move beyond a reliance on tariff preferences and build a genuinely competitive, diversified, and efficient export sector. This requires simultaneous action on multiple fronts—securing DCTS, or a Pakistan-UK FTA beyond 2027, slashing energy costs, investing in compliance and value addition, diversifying markets, and embracing trade facilitation.

Pakistan's response to the India-UK FTA should operate across three timeframes: immediate defensive actions, medium-term structural upgrades, and long-term trade architecture reconfiguration.

1. Immediate Priorities

Accelerate Pakistan-UK FTA Negotiations

Pakistan formally proposed a Free Trade Agreement with the UK in April 2026. This must be moved from proposal to structured negotiation with urgency. An FTA would lock in and potentially deepen Pakistan's preferential access, replacing the unilateral DCTS preference with a reciprocal, legally-binding arrangement.

Pursue UK Compliance Certifications

Meeting UK and global compliance standards (such as the Global Organic Textile Standard and Better Cotton) allows Pakistani exporters to compete on quality and integrity rather than price alone. This is particularly critical for home textiles and apparel, where UK retailers face intense pressure to meet strict ESG and supply chain transparency requirements. Given that certification costs present a major barrier for mid-sized exporters, the government should administer a targeted cost-sharing grant to offset compliance and certification fees for firms below a defined export-revenue threshold.

Stand Up a Non-Tariff Barrier Early-Warning Unit

Once the India-UK FTA enters into force, new labeling requirements, standards updates, or anti-dumping measures introduced alongside it could indirectly disadvantage Pakistani exporters even where tariffs remain unaffected. A monitoring unit should be designated to track UK regulatory changes affecting India in real time, so Pakistan can respond to indirect competitive shifts rather than discovering them after the fact.

2. Sector-Specific Opportunities

Beyond these structural priorities, trade data points to specific areas where Pakistan can act on existing strengths rather than building new capacity from scratch.

Double-Down on Diaspora-Driven Processed Agribusiness

Processed foods (HS21, up 29%) and cereal and flour products (HS19, up 19%) are growing far faster than the UK market overall. The practical lever here is distribution, not production: B2B matchmaking

run through the Pakistan High Commission in London should focus on moving established private brands out of ethnic-aisle placement and into mainstream British supermarket shelves. This works because packaged, shelf-stable foods face far lighter Sanitary and Phytosanitary (SPS) scrutiny at UK customs than fresh or raw agricultural commodities, and because the consumer base and supply infrastructure behind these brands are already mature.

Support the Organic Shift from Raw Cotton to Value-Added Garments

The structural retreat of cotton yarn and fabric (HS52, down 3%) and synthetic fibers (HS55, down 11%) indicates that policy should not fight market trends by propping up low-margin, standalone yarn-spinning capacity. Instead, energy allocation and export financing should be heavily directed toward downstream fabric-to-garment manufacturing. While maintaining strong, vertically integrated mills is crucial for local supply chain security and quick lead times, the objective should be consuming local yarn domestically to produce higher-margin finished apparel rather than exporting it as a raw input. Furthermore, the relaxed rules of origin introduced under the Developing Countries Trading Scheme (DCTS) reinforce this direction, making it much easier for value-added garments to qualify for duty-free access.

3. Medium-Term Structural Upgrades

Build Technical Textile and Man-Made Fiber Manufacturing Capacity

While raw cotton and basic synthetic fiber exports decline, the higher-value layer above them; technical textiles, performance fabrics, and sportswear-grade synthetics — is a distinct value pool that Pakistan has not yet built capacity in, separate from the cotton-to-garment shift already underway. This requires targeted FDI and joint ventures with manufacturers who hold the relevant process technology, rather than organic growth from existing domestic capacity. These segments command premium pricing in UK and EU markets where performance specification matters more than unit cost, and they diversify Pakistan's textile exports beyond cotton-dependent categories entirely.

Strengthen Labour and Environmental Governance for DCTS Compliance

To maintain its DCTS status and appeal to UK retailers, Pakistan must urgently strengthen its labor inspectorates and environmental enforcement. Compliance is no longer just an obligation but a commercial necessity, as modern buyers increasingly prioritize supply chain integrity and credible governance over marginal cost advantages.

Expand in Niche Categories

Surgical instruments, sports goods, and specialised leather goods (surgical gloves, sporting leather) should receive dedicated export promotion investment in categories where Pakistan has globally-recognised specialisation and where the India-UK FTA creates no material competitive threat.


4. Long-Term Trade Architecture


Reduce Over-Reliance on Preferential Schemes

A core lesson from the India-UK FTA, and from India's rapid FTA expansion (UK, EU, UAE, EFTA, New Zealand), is the fragility of unilateral preference schemes. Schemes like DCTS and GSP+ are granted at the discretion of the preference-giving country, subject to conditions, and can be withdrawn or superseded by bilateral deals. Pakistan must shift its trade strategy from preference-dependent to competitiveness-driven.



**8th Floor, Dawood Centre, M.T. Khan Road,
Karachi, Pakistan**

 +92 21 3563 0528-29

 +92 21 3563 0530

**2nd Floor, 1-E (South) Jinnah Avenue,
Blue Area, Islamabad, Pakistan**

 +92 51 8444 008

 +92 51 8444 009

 www.pbc.org.pk