



INDIA REPORT

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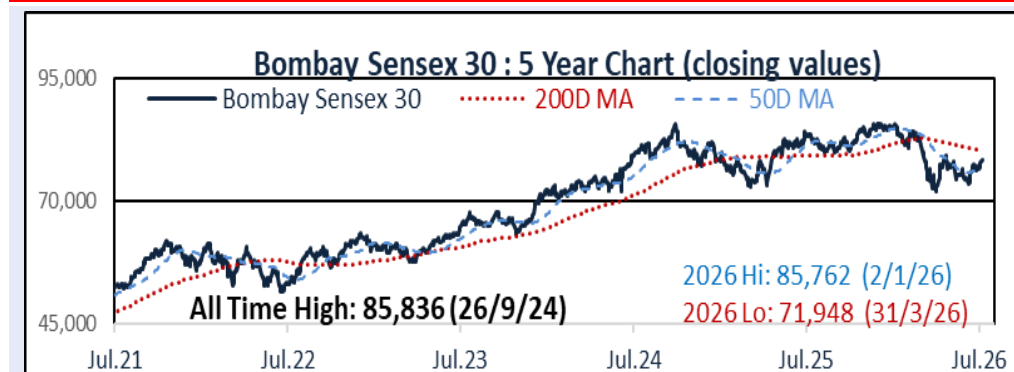


LALCAP

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Close: 6 July 2026	Index Level	Pts Chg- Day	% Chg YTD
SENSEX 30	78,285	+521	-8.1%
NIFTY 50	24,430	+160	-6.5%

Other Markets: Level & YTD

ASIA: CHINA Shanghai: 4,041 (+2%)

JAPAN Nikkei 225: 69,737 (+39%)

EUROPE: UK FTSE: 10,651 (+7%)

GERMANY DAX: 24,817 (+5%)

USA: Dow Jones: 53,056 (+10%)

NASDAQ Comp: 26,121 (+12%)

GOLD: \$4,163.22 (-4%)

SILVER: \$62.01 (-12%)

BRENT OIL: 72.09 (+18%)

Indian Currency:

INR ₹ / USD \$1= Rs95.39 (-6.0%)

INR ₹ / GBP £1= Rs127.73 (-5.5%)

INR ₹ / EUR €1= Rs109.15 (-3.4%)

⇒ **The UK-India Comprehensive Economic and Trade Agreement (CETA) comes into force on 15 July 2026, marking the most ambitious commercial pact ever concluded between the two countries.** It promises lower tariffs, easier market access and stronger services trade. Symbolically, it is a post-Brexit milestone for Britain as it is the UK's largest bilateral trade deal since Brexit, and another sign of India's growing economic confidence. The numbers are compelling. Bilateral trade already exceeds £48 billion annually. The agreement is expected to add £25.5 billion a year over the longer term, lifting UK GDP by around £4.8 billion and India's by £5.1 billion. **It also underpins the wider UK-India Vision 2035, which seeks a far deeper strategic and economic partnership over the next decade.**

⇒ **Yet trade agreements rarely transform commerce overnight.** Tariffs may fall, but rules of origin, customs procedures, regulatory approvals and technical standards remain. Businesses will still need to navigate complex compliance requirements before the promised gains become reality. For investors, the bigger story lies elsewhere. CETA encourages investment and improves transparency, but stops well short of a traditional bilateral investment treaty (BIT). CETA is not a comprehensive bilateral investment treaty (BIT). It does not provide comprehensive investor protections or investor-state arbitration. **Capital can move more easily. Legal protection has not advanced at the same pace.**

⇒ **That distinction matters.** Manufacturers, financial institutions and technology firms should benefit from improved market access and lower operating costs, reinforced by the accompanying social security convention for temporary workers. **But investors contemplating substantial, long-term commitments must continue to assess legal, regulatory and political risks through conventional due diligence rather than assuming the agreement provides a comprehensive investment safety net.**

⇒ **CETA is therefore best viewed not as the finish line, but as a foundation.** It makes trade easier, signals political commitment and broadens commercial opportunity. **For investors, however, confidence will ultimately depend less on tariff schedules than on the future development of a dedicated investment protection framework.**

⇒ **Amazon is doubling down on India, committing an additional \$13 billion by 2030 to expand its cloud computing and artificial**

intelligence footprint. The pledge comes on top of a \$35 billion investment announced last year, lifting planned spending for 2026-30 to \$48 billion and total investments in the country since 2010 beyond \$88 billion. **The announcement followed CEO Andy Jassy's meeting with Prime Minister Modi in New Delhi, underscoring Amazon's ambitions in one of the world's fastest-growing digital markets.**

⇒ **India has drawn a clear distinction between Chinese capital and Chinese capability.** Beijing's carmakers remain largely locked out of one of the world's fastest-growing automotive markets, yet their technology is steadily finding a place under the bonnet of India's next generation of electric vehicles.

⇒ **That reflects a commercial reality. China has spent more than a decade building the world's most sophisticated EV ecosystem, spanning batteries, software, power electronics and cost-efficient manufacturing.** Replicating that expertise from scratch would demand years of development and billions of dollars. **For Indian manufacturers racing to meet surging demand, buying proven technology is the faster route.**

⇒ **The result is an emerging model built on quiet pragmatism.** Rather than inviting Chinese automakers to establish a direct presence, Indian companies are licensing vehicle platforms, sourcing components and tapping Chinese engineering while retaining local brands, production and distribution. The aim is speed today, localisation tomorrow. Tata Motors' premium EV programme and JSW Motor's manufacturing plans illustrate this balancing act. **Both seek to harness Chinese know-how without crossing New Delhi's political red lines on foreign ownership.**

⇒ **The strategy is not without risk.** China's tightening controls on exports of advanced technologies have already complicated some battery partnerships, exposing India's continued dependence on overseas expertise. **Meanwhile, policymakers remain wary that excessive reliance on Chinese platforms could delay the development of home-grown innovation.**

⇒ **India's EV transition, therefore, rests on an uncomfortable compromise.** Strategic distrust shapes investment policy. Economic necessity shapes industrial policy. **Chinese badges may remain absent from Indian roads, but Chinese technology is becoming increasingly difficult to avoid.**



The Indian Bilateral Investment Treaty (BIT) and Its Importance Following the UK–India CETA

1. The **UK–India Comprehensive Economic and Trade Agreement (CETA)** enters into force on **15 July 2026** and represents a historic milestone in the bilateral economic relationship. It reduces tariffs, improves market access for goods and services, streamlines customs procedures, facilitates digital trade and supports greater business mobility. However, CETA does **not** establish a comprehensive framework for the protection of foreign investments. That remains the subject of a separate **Bilateral Investment Treaty (BIT)**.
2. A BIT differs fundamentally from a free trade agreement. While an FTA or CETA governs the movement of goods and services across borders, a BIT protects investors **after they have invested** in another country. It typically provides safeguards against unlawful expropriation, discriminatory treatment, restrictions on capital transfers and establishes mechanisms for resolving disputes between investors and host states. These protections are particularly important for long-term, capital-intensive investments such as manufacturing, infrastructure, financial services and renewable energy projects. Which India needs.

Why India Changed Its BIT Policy

3. Until 2016, India had signed approximately 84 BITs, largely based on traditional investment treaty models that provided foreign investors with broad protections and relatively easy access to international arbitration.
4. This changed following a series of high-profile investment disputes involving companies such as Vodafone, Cairn Energy, Devas Multimedia, Nokia and White Industries Australia Limited. The White Industries arbitration was especially significant because the tribunal relied on India's "most-favoured nation" (MFN) clause to import stronger procedural protections from another treaty. Together with the retrospective taxation disputes involving Vodafone and Cairn, these cases led the Indian Government to conclude that its older BITs unduly restricted its ability to regulate and exposed it to costly investor-state arbitration.
5. In response, India introduced a new Model Bilateral Investment Treaty in 2016, fundamentally rebalancing investment protection in favour of preserving governmental regulatory autonomy.

The 2016 Model BIT

6. The Model BIT introduced several significant changes:
 - **Narrower investor protections**, replacing the traditional "fair and equitable treatment" standard with more limited obligations.
 - A requirement that investors generally pursue remedies before Indian courts for **at least five years** before commencing international arbitration.
 - Removal of the broad **MFN clause**, preventing investors from importing stronger protections from India's other treaties.
 - A narrower definition of expropriation, distinguishing legitimate public regulation from compensable government takings.
 - Broader carve-outs protecting India's ability to regulate in areas such as taxation, public health, environmental protection, financial stability and national security.
7. Collectively, these reforms sought to reduce India's exposure to investment arbitration while maintaining an attractive investment environment.

Replacement of India's BIT Network

8. Beginning in 2016, India terminated or allowed the expiry of **more than 70 BITs**, making it one of the largest restructurings of an investment treaty network undertaken by any major economy. Existing investments often remain protected under "survival clauses", which commonly extend treaty protection for 10–15 years after termination.
9. Progress in negotiating replacement treaties has been relatively slow. India has concluded only a limited number of new-generation BITs, including agreements with **Belarus, Brazil, Kyrgyzstan, the United Arab Emirates and Uzbekistan**, leaving its investment treaty network significantly smaller than before.



International Response and Impact

10. Many developed economies, including the **United Kingdom, European Union** member states and **Australia**, have been reluctant to accept India's Model BIT because of its narrower investor protections, mandatory reliance on domestic courts and more limited access to international arbitration. These differences largely explain why investment negotiations have progressed more slowly than trade negotiations.
11. There is **no clear evidence** that the Model BIT has significantly reduced foreign direct investment (FDI) into India. FDI has remained strong, driven primarily by India's large domestic market, economic growth, manufacturing opportunities and government initiatives such as *Make in India*. However, the reduced availability of treaty protection has altered how many multinational companies assess legal and political risk, leading them to seek stronger contractual protections, political risk insurance or alternative investment structures.
12. The Model BIT has nevertheless reduced India's exposure to **new investor-state arbitration**. Although claims under older treaties continue because of survival clauses, the number of new treaty claims has declined due to the reduced treaty network, narrower substantive protections and the requirement to first pursue domestic legal remedies.

Why a UK–India BIT Still Matters

13. When CETA enters into force on **15 July 2026**, it will substantially improve bilateral trade by lowering barriers to the movement of goods and services. However, it does not provide a dedicated legal framework for protecting UK investments in India.
14. For UK companies exporting to India, CETA delivers significant commercial benefits. For those establishing manufacturing facilities, investing in infrastructure, acquiring Indian businesses or financing long-term projects, a BIT would provide greater legal certainty regarding investment protection and dispute resolution.
15. Accordingly, while CETA represents a major advance in UK–India economic relations, many businesses view a future UK–India BIT as the important remaining component needed to provide a comprehensive framework supporting both trade and long-term cross-border investment. Its eventual conclusion will depend on whether the UK and India can reconcile India's emphasis on preserving regulatory autonomy with the UK's preference for stronger protections for investors.

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