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Introduction to India–EU Relations: The Mother of All Trade Deals

A historic partnership connecting two economic powerhouses, creating unprecedented opportunities for 2 billion people across continents.



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TRADE FUNDAMENTALS

What is a Free Trade Agreement (FTA)?

Breaking Down Barriers

An FTA eliminates or reduces tariffs and trade barriers between partners, making cross-border commerce smoother and more profitable for businesses of all sizes.

Seamless Market Access

The India-EU FTA covers goods, services, and investments, creating a unified economic zone for 2 billion people—the world's largest integrated marketplace.

Strategic Partnership

It aims to foster economic integration, drive innovation, and strengthen ties between the world's 4th and 2nd largest economies, reshaping global trade dynamics.

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Background of India–EU FTA Negotiations



Two Decades in the Making

Nearly 20 years of on-and-off talks culminated in January 2026 with a historic agreement that reshapes global trade architecture.

Global Pressures Drive Momentum

Negotiations intensified amid escalating global trade tensions, especially US tariffs impacting both India and the EU, pushing both sides toward strategic alignment.

Visionary Leadership

Key architects include Indian PM Narendra Modi, European Commission President Ursula von der Leyen, and European Council President António Costa—leaders who recognized the urgency of this partnership.

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Objectives of the India–EU FTA

Massive Economic Integration

Create a free trade zone covering 25% of global GDP and one-third of global trade, establishing a new economic super power bloc.

Unprecedented Market Access

Provide preferential market access for over 99% of India's exports by trade value, opening European markets like never before.

MSME Empowerment

Support Indian MSMEs and startups to integrate into European value chains, democratizing access to premium global markets.

Balanced Protection

Preserve policy space for sensitive sectors while boosting competitiveness, ensuring domestic industries adapt without disruption.

AGREEMENT HIGHLIGHTS

Key Features of the Agreement

1 Immediate Tariff Elimination

Zero tariffs on 70.4% of tariff lines covering 90.7% of India's exports from day one.

2 Phased Liberalization

Zero-duty access over 3-5years for marine products, processed foods, and agricultural goods.

3 Strategic Quotas

Preferential tariff reductions and TRQs for sensitive items including automobiles and steel.

4 Mobility Framework

Stream lined travel for skilled professionals, students, and business travelers between India and EU.



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Tariff Reduction & Zero-Duty Products



Labour-Intensive Winners

Textiles, leather, footwear, tea, coffee, spices, gems & jewellery gain immediate zero-duty access to Europe's premium markets.



European Premium Impor ts

EUcutstariffson wine, beer, olive oil while India reduces duties on machinery, chemicals, and electrical equipment.



Automotive Breakthrough

Motorvehicle tariffs in EU drop from as high as 110% to 10% under an expanded quota of 250,000 vehicles annually.

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GROWTH SECTORS

Major Export Opportunities for India



Textiles & Apparel

Immediate duty elimination boosts competitiveness in EU's $33 billion market segment, creating thousands of manufacturing jobs.



Pharmaceuticals

Enhanced access to Europe's large healthcare market positions India as the pharmacy to the world's most affluent bloc.



Marine & Agri Products

Marine products, spices , tea, coffee gain tariff advantages, opening premium European consumer markets.



Gems & Jewellery

Sector poised for explosive growth with tariff cuts in Europe's luxury goods market worth billions annually.

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Key Import Gains for India

Advanced Technology Access

Reduced tariffs on European machinery, chemicals, electrical equipment, and automobiles strengthen India's industrial base and manufacturing capabilities.

Capital Goods & Innovation

Access to cutting-edge technology and capital goods supports India's "Make in India" initiative and drives innovation across sectors.

Consumer Benefits

Increased availability of European wines, beers, olive oil, and premium consumer goods at competitive prices enhances quality of life.

Investment & Supply Chains

Strengthened investment flows and supply chain integration create resilient, diversified economic networks.

25%
Tariff Reduction

Average reduction on key European imports

$15B
Investment Flow

Expected annual increase in bilateral investment

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Impact on Indian MSMEs & Star tups

Predictable Market Access

Stable , predict able access enables long-term planning and confident investment in expansion.

Value Chain Integration

Integration into European value chains opens new growth avenues and partnership opportunities.

Competitive Edge

Enhanced competitiveness through tariff liberalization supports job creation and business scaling.

Innovation Partnerships

Opportunities for in novation collaborations and technology transfer accelerate growth.

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SECTOR ANALYSIS

Sector-wise Impact Analysis



Agriculture

Tariff cuts ontea, coffee, spices boost exports. Sensitive sectors like dairy and cereals remain protected to ensure food security.



Manufacturing

Boost in machinery and electrical equipment exports. Import of advanced tech goods enhances domestic production capabilities.



Pharmaceuticals

Easier market entry intoEU strengthens India's position as a global pharmaceutical leader and generic drug supplier.



Textiles

Immediate zero-duty access dramatically enhances export potential and creates employment in labour-intensive sectors.



Automobiles

EU tariff cuts and expanded quotas improve market access. Indian auto sector gains economies of scale and global competitiveness.

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India-EU Free Trade Agreement: Unlocking Strategic Partnership & Growth

A landmark deal reshaping bilateral trade , investment , and cooperation between two of the world's largest economies

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SERVICES & MOBILITY

Services Trade & Mobility of Professionals



Opening New Pathways

The FTA introduces ambitious, commercially meaningful market access in services—especially financial services , telecommunications, and delivery sectors—creating unprecedented opportunities for cross-border collaboration.

Mode 4 Focus: Movement of high-skilled professionals for stays up to 2 years expands opportunities for Indian experts while respecting EU regulatory frameworks. Bilateral services trade is projected to surge, with India's services exports
expected to grow most substantially, enhancing integration into European value chains.

INVESTMENT

Investment & Supply Chain Integration



Deep Market Integration

Connecting the world's 4th (India) and 2nd (EU) largest economies with stable, predictable investment conditions for long-term growth.



MSME Empowerment

Zero-duty access for labour - intensive sectors—textiles, leather, marine products, gems & jewellery—boosting competitiveness and job creation.



Strategic Auto Sector Balance

Carefully calibrated liberalization supports India's Make in India initiative while securing reciprocal EU market access.

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Rules of Origin & Trade Compliance

Modern Framework

Rules-based system ensures transparent, predictable customs procedures with streamlined compliance.

97%+ Tariff Elimination

Comprehensivetariff coverage with phased reductions for sensitive products, creating balanced market access.

Forward-Looking Provisions

Includes Customs-Business Alignment Mechanisms (CBAM) to facilitate smooth trade flows and regulatory cooperation.

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SUSTAINABILITY

Sustainability, Labor & Environmental Standards

Building a Greener Future Together

The FTA embeds strong commitments tola borrights, environmental protection, and sustainable development—ensuring trade growth doesn't come at the expense of people or planet.

Labor Rights

Protections for workers and fair employment practices

CBAM Alignment

Constructive engagement on Carbon Border Adjustment Mechanism

Inclusive Growth

Empowering women, artisans, and youth through market access



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Strategic Importance for India

USD 75+ Billion Export Potential

Positions India as a trusted partner in global trade, unlocking massive export opportunities to EU markets across goods and ser vices.

European Supply Chain Integration

Empowers Indian businesses to integrate into high-value European supply chains and innovation ecosystems, upgrading capabilities.

India@2047 Vision

Supports India's centenary vision by fostering sustainable, inclusive economic growth and enhancing global competitiveness on the world stage.

EU PERSPECTIVE

Strategic Importance for the European Union

Why India Matters to Europe

The India-EU FTA is a cornerstone of Europe's strategy to diversify trade partnerships and strengthen economic resilience in an evolving global landscape.

1 Market of 1.4 Billion

Access to India's fast-growing consumer market and highly skilled workforce creates enormous opportunities for EU businesses.

2 Geopolitical Anchor in Asia

Strengthens EU's economic and strategic ties in Asia amid global supply chain realignments and geopolitical shifts.

3 Sector Diversification

Enhanced access to Indian services and manufacturing sectors reduces dependency on traditional trade partners.

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Challenges & Concerns

While the FTA represents historic progress , several implementation challenges and structural concerns remain to be addressed through ongoing dialogue and cooperation.

1

Mode 4 Limitations

Restrictions on professional mobility may be narrower than some individual EU member states' existing liberal regimes, potentially limiting broader movement.

2

Agricultural Sensitivities

Sensitive agricultural and dairy sectors remain protected with limited market access, reflecting domestic political and economic concerns.

3

Regulatory Complexity

Heterogeneity in regulations within the EU's 27 members and across Indian states poses compliance challenges; harmonization efforts are ongoing.

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BENCHMARKING

Comparison with Other FTAs

How Does It Stack Up?

The India-EU FTA sets a new benchmark for comprehensive trade agreements, offering broader coverage and more ambitious provisions than comparable deals.

UK-India FTA

97%+ tariff elimination vs. narrower UK coverage; more comprehensive sustainability clauses.

ASEAN Agreements

More ambitious services provisions than UK FTA but more restrictive professional mobility than some ASEAN deals.

UAE Agreement

Significantly more comprehensive labor and environmental standards reflecting EU's regulatory priorities.

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Expected Economic Impact & Way Forward

Transformative Growth: 2026–2035

$150B+

Bilateral Trade Boost

Projected increase within a decade, with services leading growth

Millions

Jobs Created

In labour-intensive sectors and high-value services

2026

Implementation

Following legal review and ratification processes

Next Steps

1

Legal Finalization

Complete legal scrubbing and formal ratification by both parties

2

Implementation

Roll out provisions with regulatory alignment and business readiness

3

Ongoing Dialogue

Continue discussions on digital trade and emerging opportunities

Call to Action: Leverage this historic deal to deepen India-EU partnership for resilient, inclusive, and future-ready growth that benefits businesses, workers, and communities on both sides.

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