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India – EU Trade Deal: A Game Changer for Bilateral Relations

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Abstract
India–European Union (EU) relations have evolved significantly from a predominantly commercial engagement into a comprehensive strategic partnership encompassing trade, investment, technology, sustainability and geopolitical cooperation. This paper examines the evolution of India–EU trade relations with particular emphasis on the period up to 2024 and analyses the prolonged negotiations for a bilateral Free Trade Agreement (FTA), which originated in 2007 under the proposed Broad-based Trade and Investment Agreement (BTIA). Despite the growing volume and strategic importance of bilateral trade, negotiations remained stalled for several years owing to differences over tariffs, market access, services, investment, intellectual property rights, regulatory standards and non-tariff barriers. The resumption of negotiations in 2022 marked a significant turning point, reflecting changing economic and geopolitical circumstances, including global supply-chain disruptions, the changing Indo-Pacific order and the growing importance of economic diversification. Using a combination of quantitative trade data and qualitative analysis of official documents, academic studies, policy reports and contemporary journalistic accounts, the paper examines the changing structure of India–EU economic relations and evaluates the potential transformative significance of the FTA. The study argues that the agreement should be viewed not merely as an instrument for reducing trade barriers but as an important component of a broader geoeconomic and strategic partnership. By facilitating market access, strengthening investment and services cooperation, promoting technology and supply-chain linkages, and enhancing economic resilience, the agreement has the potential to deepen India's integration with the European economy while simultaneously strengthening the EU's engagement with India in the emerging multipolar international order. The paper concludes that the FTA can constitute a potential game changer for India–EU bilateral relations, although its long-term impact will depend substantially on effective implementation and the ability of both sides to address residual regulatory and structural challenges.

It was almost after 20 yrs of negotiations; India and the European Union declared the conclusion of “India-EU Free Trade Agreement at the 16^{th} India-EU Summit that was held on January 27^{th} 2006. Textually this agreement connects India to European Union (EU), a major actor in the Global trade. However on the other side it also links India to the trade and market of the developed West. Amid the crisis in the US-India bilateral relations and also provided reboost of India as an important economic partner for EU and the western trading system amid the crisis in the US-India bilateral relations.
It is in this context that India and the EU traded $137 Billion goods on 2024-25 that made India the 3^{rd} largest exporting and importing partner of EU with an estimate of $76 export and $61 Billion Import. The FTA between India and EU focuses on improving an existing relationship at a time when Global Supply

and demand chains are being reshaped and the international trade policies are mostly guided by geopolitics and power equilibrium. It is in this context that the FTA between India and EU is all about establishing India as an important member of an all alternative Global Supply chain Network that would reduce over dependence on United States.

The agreement was concluded between Indian Prime Minister Narendra Modi and European Commission President Ursula von der Leyen on 27 January 2026 in New Delhi. The deal marks a significant milestone in the India-EU relations, aiming to boost trade and investment between the two entities.

India EU ties have evolved over time. Post cold war reorientation led to economic and political engagement driven by trade, development assistance, shared democratic values resulting to strategic partnership in 2004. This was followed by the Joint action plan of 2005 and Broad based Trade and Investment Agreement talks of 2007 that expanded dialogue between the 2 nations. The progress was stalled due to Eurozone crisis, regulatory clearance and lack of political perseverance that led to a gap between ambition and delivery. Despite growing trade, ties remained underleveraged as Europe turned inward whereas India diversified partnerships making the relationship economically transactional and geopolitically underdeveloped. The Covid 19 adversely affected supply-chain and increased China's assertiveness in international market and in the Indo-Pacific region, that led to revival of trade and the establishment of the Trade and Technology Council (2022). It is for this reason that both India and EU began reassessing the FTA not merely as a commercial instrument but as a tool for resilience, diversification and strategic autonomy. Hence the signing of the India-EU FTA, security and defence partnership and mobility frameworks marks a shift from sectoral co-operation to a more comprehensive strategic alignment positioning India and EU as new co-architects of a stable multipolar order.

The FTA, known as "mother of all deals" and the presence of the EU leaders is seen as a strong diplomatic signal, underscoring India's vision of the EU as a key partner in shaping a stable, balanced and rule-based International order. The FTA highlights a shift in global trade dynamics, with India asserting its influence amid US and EU tensions. The US has expressed concerns over the deal, citing that the EU should prioritize Ukraine's interests and should also impose tariffs/sanctions on India's purchase of Russian oil. US fears of the economic triangle formed between India, Russia and EU that would build a new multi polar global economic order challenging US hegemony in Europe and Middle East.

PM Modi's diplomacy on the India, EU deal can be described as an important strategic move to diversify India's trade partnerships and reduce dependence on US. The deal concluded after nearly two decades of negotiations, eliminates tariffs on 99% of Indian exports to EU and 97% of EU exports to India.

The FTA deal between India and EU opens a new era of alignment under PM Narendra Modi. PM Modi invited European Commissioner President Ursula von der Leyen and European Council President Antonio Costa to India's 77th Republic Day celebrations as chief guests, highlighting the growing strength of India-EU partnership and shared democratic values.

Let us now focus on the key points of the India EU FTA.

1. Unprecedented Tariff liberalisation in goods Trade providing preferential access for over 99% of India's exports to the EU.
2. Immediate zero-duty access for a large share of Labour-intensive sectors.
3. Phased tariff elimination and calibrated tariff reductions for select sensitive products.
4. Use of Tariff Rate Quotas(TRQ) for automobiles, steel, agriculture & marine products to balance market access with domestic products.

Under FTA, EU will be one of India's largest trading partner driven by export flows concentrated in foods, machinery, mechanical, instrumentals and nuclear reactors & Boilers. The FTA would provide market access to India for 99% of it's exports in textiles, pharmaceuticals and leather.

PM Modi's approach in FTA deal is viewed as

a) Strategic Autonomy: Diversified trade partnerships, reducing reliance on the US.
b) Multi Polarity: It also strengthens India's position in global trade countering US Hegemony.
c) Economic benefits: boosting Indian sectors like textile, leather and pharmaceuticals.

The trade deal is a game changer, covering 25% of the global GDP and about one-third of Global trade. The key principles of the deal includes:-

a) Tariff Reduction: Whereby EU will eliminate tariffs on 96.6% of goods, while India will reduce tariffs on 92.1% of tariff lines.
b) Market Access: India will gain duty-free access for 99% of exports, benefiting sectors like textiles, pharmaceuticals, and leather.
c) Investment Boost: It is expected to attract European investment, promote technology transfer, and generate employment.
d) Services: European Union commits to 144 services subsectors. India opens 102, including terminal and maritime services. The deal also focuses on India's concerns, excluding sensitive sectors like dairy, and agriculture, and promotes sustainable growth.

The FTA features certain strategic components:-

1. To establish a stable rule-based framework which is aligned with modern global standards that offers clarity on tariff schedules and market compliance along with promoting transparency and building long term confidence between India and EU.
2. Adopt a phased liberalization approach by reducing tariffs on important traded categories with respect to mutual economic sovereignty of both the parties i.e. EU will eliminate tariffs on 96.6% goods on the other hand India will reduce tariff on 92.1% of tariff lines.
3. Emphasize a closer co-operation on equality standards, conformity and market access procedures while supporting business to establish a highly regulated environment.
4. Also to build diversified resilient supply chains by integration of Indian firms into EU value chains and to reduce overdependence on US.
5. To increase collaboration on green manufacturing, advanced machinery & digital services to align shared goals across sustainability, digital transition & industrial growth.

The FTA is a great success of Modi Government as it is driven by the Geo-political urgency post Ukraine war to boost up the Indian economy.

India has secured preferential access to the EU across 97% of tariff lines representing about 99.5% of trade value with duty elimination across key labour intensive sectors such as Gems & Jewellery, leather & footwear, textiles, agri products and select marine goods.

Let us now discuss the aspects of the FTA Agreement:

a) India has brought a major change in the automobile sectors.
b) The FTA between India and EU has also achieved success in assuring EU to establish a strategic framework for concluding 'Social Security Agreements'.

Moreover another most strongest aspect of this agreement is India's strategic autonomy.. The India-EU

FTA is also an evidence of diplomatic maturity on the global arena. Geopolitically India will be able to establish it's independent dominance in the global trade market in South Asia and Central Asia and will definitely pose challenge to China's BRI.

Commerce minster Mr. Piyush Goyal and various industrial bodies has commented that the agreement will rise PM Narendra Modi's 'Make in India' campaign to a new level and will also accelerate the process of building a new developed India by 2047. For Example, In India's Textile industry, it will generate employment in rural areas specially for women. The Government of India also ensures direct access of the small entrepreneurs in the leather and handicraft sectors to the European market. The EU has also committed to provide an aid of 500 million Euros as financial and technical assistance to combat climate change in the aim to establish India as a 'Green manufacturing Hub'.

The deal is a grand success for PM Modi, reflecting India's growing assertiveness in global trade, balancing relationships with major Powerhouses while pursuing its interest and challenging US. Hegemony over global economy. The FTA deal will open up opportunities for people and businesses on both sides transforming India's global trade position amid ongoing trade tensions with US under President Donald Trump. Political analysts are of the opinion that the agreement is far more than a commercial instrument. It represents a deliberate strategic posture – a declaration of intent to build prosperity, supply-chain resilience and deeper convergence in a volatile world. It also positions PM Modi as a Savoy global leader who is securing alternatives for India amid US threats that were portrayed India in a vulnerable position. Rodrigo Balbontin, associate director for trade, intellectual property and digital technology governance at ITIF was of the opinion that FTA between EU and India is a "wake up call" in Washington that will push US on the sidelines and will also effect the US investments in India and EU.

The list of benefits is further long enough including Increased exports for European markets job creation, Technology transfer and stronger global trade position. For EU trade will provide access to India's growing market, cost-efficient product partnerships and supply-chain diversification. The FTA reflects India's effort to diversify trade partnerships reducing dependence on any single market. By engaging with the EU, PM has strengthened India's position in global trade promoting multipolarity and challenging US hegemony.

Let us now discuss the key implications of the Indo-EU FTA deal :-

The FTA will strengthen India's strategic Autonomy by diversifying trade partnerships bring plurality in International trade and thereby reducing dependence on US markets. Moreover, India being a fast growing economy will gain momentum in Global Trade and would create a new alignment with EU as an important trade partner thereby challenging the traditional US dominance. The deal ensures India's assertiveness in global trade balancing relationships with major powers in Europe while putting its interest in International balance of power system.

PM Modi emphasized that the deal focus on quality and it's potential to make India a global manufacturing hub.

The deal is expected to double EU exports to India by 2033 with significant tariff reductions on EU cars, Wines and luxury goods. On the other hand, Indian sectors like Textiles, marine products and lather will gain duty free access to EU market.

The invitation of the EU signatories for the Republic Day celebration comes ahead of the India-EU summit where both sides are expected to finalize the long pending FTA popularly known as " Mother of all deals".

However, the India-EU FTA faces several challenges :-

The conclusions of the India EU FTA negotiations come at the juncture when US president Donald Trump has imposed a hefty 50% tariff on India which includes a 25% tariff as a penalty for its purchase of Russian oil. Similarly the EU countries are battling with the reality that US can no longer be considered as faithful partner. For example Europe has been clearly deprioritized in the official defence strategies of the US, Trump's erratic tariff threats to European countries in his bid to purchase Greenland proves the above assumptions of EU. Hence it is in this situation that India and EU are collectively sending a massage to Washington, i.e. the allies or partners will not compromise their political or economic sovereignty to take any policy decisions and will not also succumb to the threats of tariff wars and weaponizing trade.

Another challenge facing the finalization of the FTA is its ratification in the European Parliament. The FTA is a win-win situation where both India and EU will benefit their 2 billion citizens. The deal will strengthen economic and political ties between the world's 2 largest democracies amid rising geo-political tensions and global economic challenges. The formal signing of the deal is expected later this year after completing the legal scrubbing in the EU Parliament. Critics are of the opinion that India-EU FTA is the democratisation of Luxury from premium cars to Imported spirits i.e. democratisation of luxury at the middle class. It is a win-win situation for middle class. However Commerce Minister Mr. Piyush Goyal undermines those criticism and was of the opinion that it is a pathway for the new middle class i.e. 25 Crores of population will be move up from poverty, would grow more aspirations for a better life as this FTA represents 25% of the global GDP and 1/3rd of Global Trade. An opportunity to the increase in the income level of the 25% of the population in poverty would flourish as a new middle class would move for better things in life. In long run the FTA would ensure for providing a pathway for greater prosperity for 140 Crore Indians.

Once the FTA is implemented, nearly 95% of India's "Labour Intensive" exports will enjoy a duty free access to the EU while the import of Luxury cars and wines from EU will become much cheaper in India. The FTA is a very fair, and a balanced agreement and a strong initiative to boost international trade and overcoming US pressure. The deal will open up huge job opportunities for young Indians and will open up a large market in the services space. India's sectors would gain from the deal in textiles, apparel, engineering goods, leather, footwear, marine products, handicrafts while EU gains will be in mine, automobiles, chemicals, pharmaceuticals etc. The Textile industry will be the biggest gainer. The deal is expected to further integrate supply chains and strengthen joint manufacturing power between the 2 economies.

Diplomats describe the deal as balanced and forward-looking that would reduce tariffs, ease regulatory burdens, open services markets, and strengthen the supply chain network. For India, it promises greater access to a 450 million-strong consumer market. For the EU, it offers a deeper anchor in one of the world's fastest-growing major economies. The FTA is the economic pillar of a much wider strategic convergence. In the past, India and the EU had ties of mutual trade and cooperation in defence and maritime security, climate action, energy, space, digital technologies etc. For example, India-EU Trade and Technology Council in 2022 provided a recognition that trading technology and security between India and EU are inseparable. Security cooperation has also accelerated too. e.g. joint naval exercises in the Indian Ocean and the growing dialogue on defence industrial collaborations. On climate and energy too, Europe has become a key partner in India's transition to renewable green hydrogen and sustainable urban mobility.

To conclude, in the era of globalisation facing military, commercial & cultural ties have been established between states, this agreement between India and the EU would reduce US hegemony in South Asia and would also undermine the growing influence of PRC on South Asia through strategic implementation of BRI on the South Asian Economy. India is currently a dynamic economic powerhouse which would lead her to the position of 3rd largest economy by 2030. The Government of India has adopted several measures to combat bureaucratic and infrastructural weakness within our country to implement this opportunity in order to achieve 'Viksit Bharat' plan by 2030. This would be a historic pact finalising a 2 decade India-EU negotiation process.

The global trade environment continues to evolve shaped by shifts in trade policies deepening Geo-political fragmentation and different regulatory frameworks. Such environment has accelerated the strategic need for economies to setup various development models. It is in this context India aims to reduce it's overdependence on single market exposures of US. The Govt. of India under PM Narendra Modi concluded discussions.

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