



INDIA AND EU FREE TRADE AGREEMENT

The India–European Union Free Trade Agreement (India–EU FTA) represents a historic milestone in bilateral economic relations, officially announced by Hon’ble Prime Minister Shri Narendra Modi and European Commission President H.E. Ms. Ursula von der Leyen during the 16th India–EU Summit. The fact that the negotiations for this agreement began in 2007 and have concluded almost two decades later highlights the strategic importance and complexity of this partnership. The FTA comes at a time when India–EU trade has remained largely stagnant, with bilateral goods trade hovering at approximately USD 136.5 billion for three consecutive years from FY2023 to FY2025, despite the EU being India’s largest trading partner. The withdrawal of the Generalised Scheme of Preferences (GSP) by the EU, affecting nearly 87% of Indian exports, has removed an average 20% tariff advantage, making the conclusion of a comprehensive trade agreement even more urgent.

The combined India–EU market represents nearly two billion people, with India’s population of 1.46 billion and the EU’s population of approximately 450 million. The total GDP of these economies exceeds USD 25 trillion, with India contributing more than USD 4 trillion and the EU over USD 21 trillion. This vast market, along with complementary economic structures, presents enormous potential for trade in goods, services, technology, and investment.

Details of the FTA

The India–EU FTA is a modern, comprehensive, and rules-based agreement designed to liberalise trade in goods and services, enhance investment, and deepen economic cooperation between the two partners across multiple areas:

Trade in Goods

- The agreement provides for the reduction or elimination of tariffs on approximately USD 33 billion of Indian exports, with tariffs as low as 10% on sectors such as textiles, apparel, leather, footwear, marine products, gems and jewellery, handicrafts, engineering goods, and automobiles.
- The FTA includes a calibrated, quota-based liberalisation package for automobiles, which will allow EU automakers to introduce their models in higher price bands in India while simultaneously creating opportunities for Indian automobiles to access the EU market.
- Indian agricultural and processed food products, including tea, coffee, spices, fresh fruits and vegetables, and processed foods, will gain enhanced competitiveness under the FTA.
- At the same time, sensitive sectors such as dairy, cereals, poultry, soymeal, and certain fruits and vegetables have been prudently safeguarded.

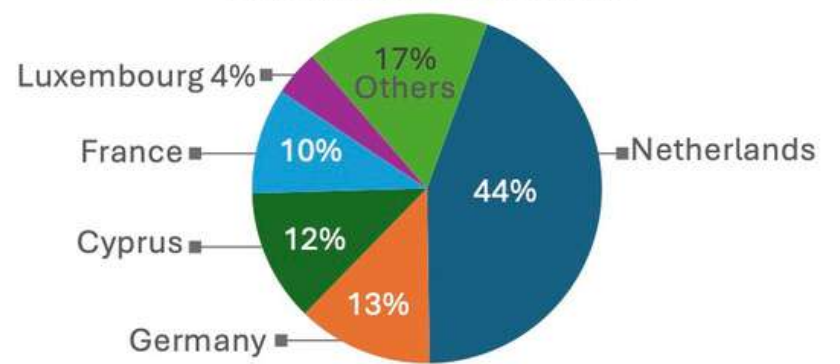
Services and Mobility

- The FTA provides predictable market access for Indian service providers across 144 EU subsectors, including IT and IT-enabled services, professional services, education, financial services, tourism, and construction.
- Conversely, the EU will gain access to 102 Indian subsectors, which will facilitate high-tech service exports and investments into India.
- The FTA also includes a facilitative framework for business mobility, covering short-term, temporary, and business travel, intra-corporate transferees, contractual service suppliers, and independent professionals, along with entry and working rights for dependents and family members.
- India has secured provisions for social security agreements, student mobility, and post-study work opportunities, and for practitioners of Indian Traditional Medicine to work under home title in EU member states where traditional medical practices are not regulated.

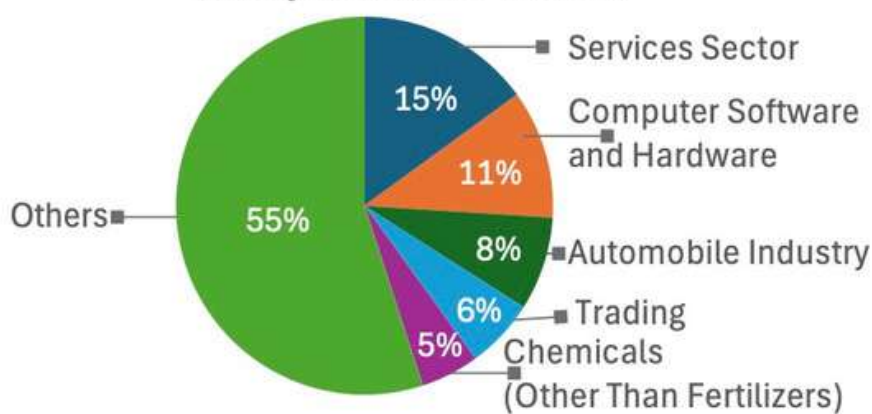
Investment

The FTA provides a framework to deepen investment flows between India and the EU. It improves market access for EU investors in India and offers regulatory certainty, which is expected to boost foreign direct investment in key sectors such as manufacturing, services, renewable energy, automobiles, and chemicals. Between April 2000 and December 2024, cumulative EU FDI in India totalled USD 119.2 billion, representing approximately 16.5% of India's total FDI equity inflows.

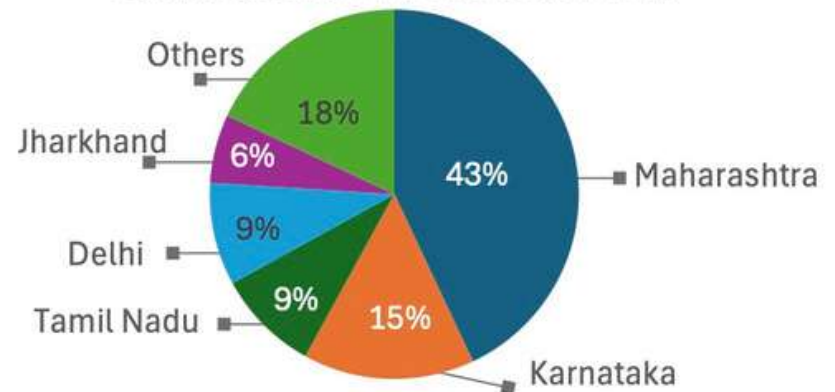
Top EU Countries with FDI , equity inflow into India, January 2000 to December 2024



Top sectors that attracted FDI equity inflow from EU Countries, January 2000 to December 2024



Top states that attracted FDI equity inflow from EU Countries, October 2019 to December 2024



Source: Department for Promotion of Industry and Internal Trade, Government of India

These inflows span sectors such as services, software, renewable energy, automobiles, and chemicals, and involve thousands of European companies operating in the Indian market. By providing clear investment rules, protections, and facilitative mechanisms, the FTA aims to attract additional high-quality and diversified investment to India while creating opportunities for Indian investors in select EU markets.

Regulatory Cooperation

- The FTA includes mechanisms to tackle non-tariff barriers by streamlining customs, sanitary and phytosanitary (SPS) procedures, and technical barriers to trade.
- The agreement provides for strengthened regulatory cooperation, greater transparency, and measures to reduce greenhouse gas emissions, including provisions under the Carbon Border Adjustment Mechanism (CBAM) for technical cooperation, recognition of carbon prices and verifiers, and targeted financial assistance.

Innovation, Intellectual Property, and Technology

The FTA reinforces intellectual property protections under TRIPS, affirms the Doha Declaration, and supports initiatives such as India's Traditional Knowledge Digital Library. It also provides a framework for cooperation in emerging technologies such as artificial intelligence, clean technologies, and semiconductors.

Financial Services

The agreement promotes enhanced market access in key EU member states for India's financial services, facilitates cross-border electronic payments, and supports deeper financial integration.

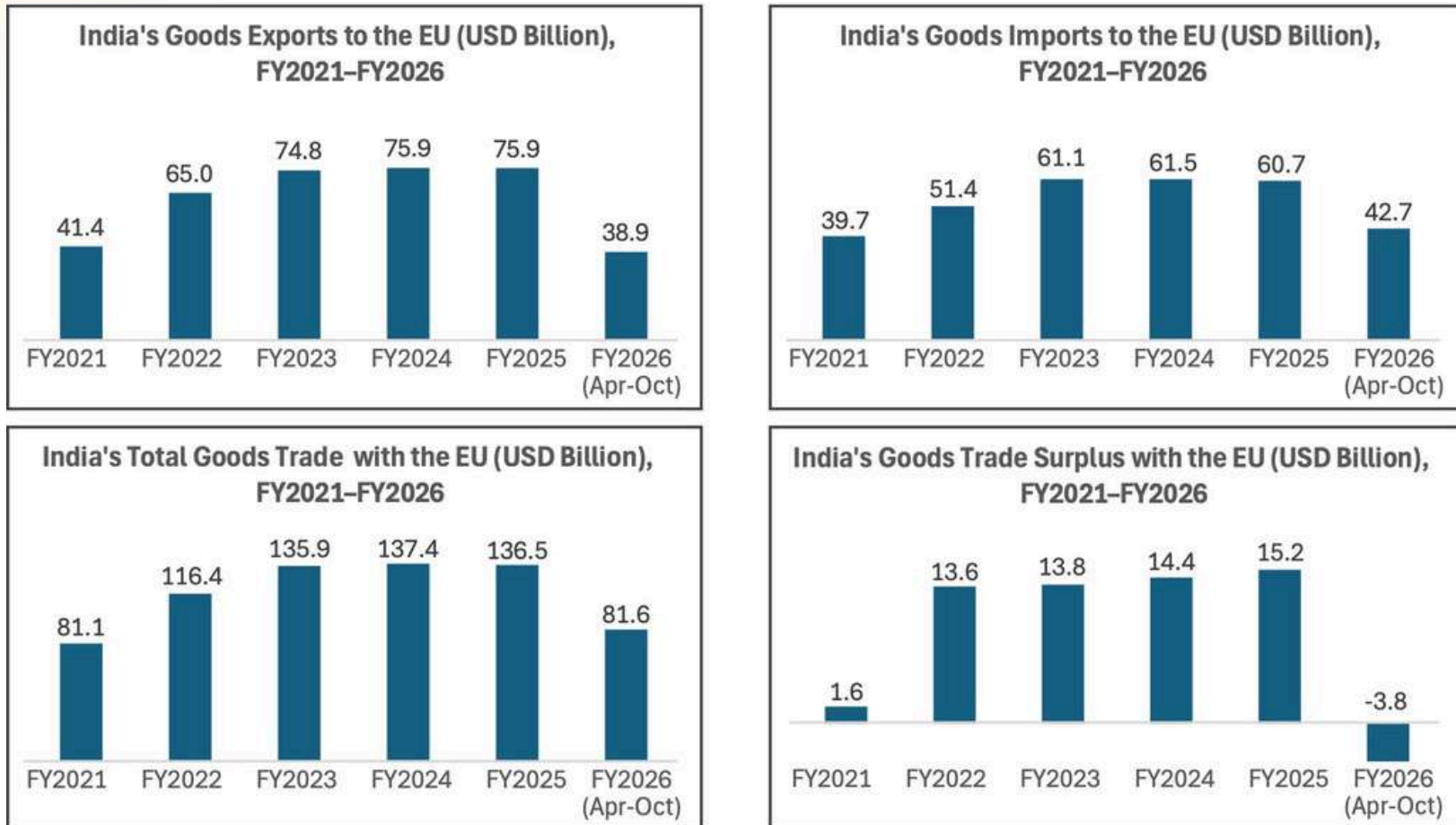
Overall, the India-EU FTA aims to integrate Indian businesses more deeply into European and global value chains, generate high-value employment opportunities, foster innovation, support sustainable economic growth, and expand bilateral investment flows.



The Trade Scenario at Present

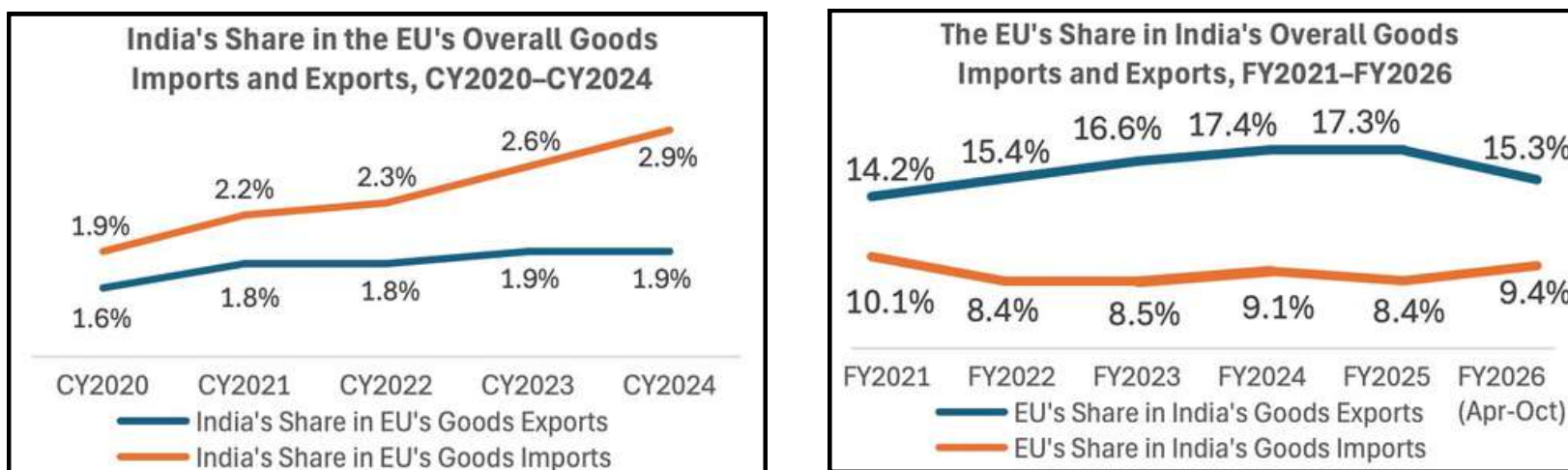
Bilateral trade has remained substantial but stagnant, demonstrating the need for renewed momentum through a comprehensive FTA.

In 2024–25, India–EU bilateral trade in goods stood at USD136.5billion, with Indian exports worth USD75.9billion and imports of USD60.7billion. Trade in services reached USD83.1billion in 2024¹. While India ran a goods trade surplus of USD15.2billion in FY2025, in the first seven months of FY2026 (April 2025–October 2025), bilateral trade went into a deficit of nearly USD 3.8billion, owing to recent volatility and slower momentum.



Source: Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India

India's share of the EU's import and export baskets remains relatively low (1.9% and 2.9% respectively), even as the EU's share in India's export basket has increased from 14.2% in FY2021 to 17.3% in FY2025, with its share in India's import basket declining from 10.1% to 8.4% over the same period.



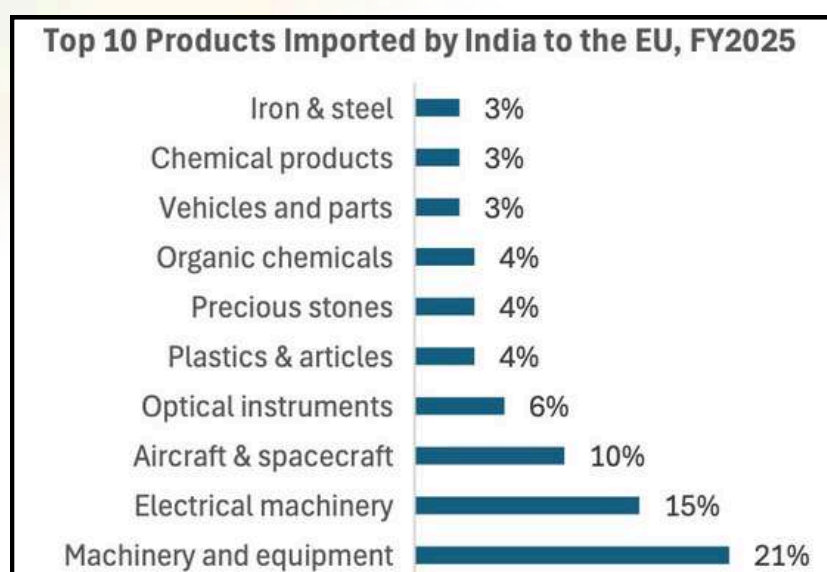
Source: UN Comtrade and Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India

India's trade flows within the EU are highly concentrated; five member states made up roughly 73% of Indian exports and 72% of Indian imports in FY2025, exposing trade to cyclical weakness in key EU economies.



Source: Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India

Industry-level goods trade shows that India's export basket is focused on mineral fuels (20%), electrical machinery (15%), organic chemicals (7%), general machinery (7%), pharmaceuticals, iron and steel, textiles, and precious stones.



Source: DGFT, Ministry of Commerce and Industry, Government of India
Note: 2-digit HS codes are considered for the analysis.



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Meanwhile, imports from the EU are dominated by machinery and equipment (21%), electrical machinery (15%), aircraft and spacecraft (10%), and optical instruments (6%). This complementary pattern shows strong trade synergies, with India exporting manufactured and energy goods and the EU supplying high-technology and advanced industrial products.

There is also growing engagement in the services sector. India's IT-ITeS exports to Europe* rose by 14.3% in FY2025, increasing the region's share of India's total software exports from 30.8% to 32.8%².

What the FTA Will Do for Both Economies and Bilateral Trade

For India

The FTA will substantially improve India's international competitiveness by phasing out tariffs on key labour-intensive and high-value export sectors such as textiles, leather, engineering goods, and chemicals. Preferential market access will restore tariff advantages lost due to the GSP withdrawal and enhance India's export competitiveness relative to third-country competitors. Predictable market access in services, particularly in IT, professional services, education, finance, and construction, will support the expansion of India's globally competitive service providers.

The investment provisions in the FTA are expected to deepen foreign direct investment from EU economies by strengthening regulatory certainty and market access safeguards. Given that EU FDI into India has historically been significant, accounting for around 16.5% of India's total FDI equity, the agreement is poised to attract higher and more diversified investment into sectors such as renewable energy, manufacturing, chemicals, and services

creating jobs and fostering technology transfer.

By streamlining customs, technical, and regulatory barriers, the FTA can reinvigorate growth in bilateral goods trade and help diversify India's export destinations beyond major EU member states. Export diversification efforts could also help India redirect a portion of exports currently bound for the United States, with an estimated USD10–11 billion potential shift into the EU market, identified by the [Rubix Country Insights-EU Country report](#), thereby reducing reliance on any single trading partner.

HS Code	Top 15 Products Exported by India to the US in FY2025	Export Value to the US (FY2025) (USD Million)	Share of EU's Exports (FY2025)
8517	Telecom equipment (including smartphones)	10,859.97	10%
3004	Pharmaceutical formulations	9,491.92	4%
7102	Cut diamonds	4,899.57	2%
2710	Petroleum products	4,082.97	20%
7113	Jewellery articles	3,555.68	1%
8708	Auto components	2,164.69	2%
0306	Seafood	1,953.31	1%
6302	Home textiles	1,329.77	0.4%
8541	Semiconductor devices	1,142.44	0.01%
8483	Transmission components	1,107.62	1%
8504	Electrical transformers	1,105.95	1%
6204	Women's apparel	1,082.09	1%
6304	Furnishing articles	1,064.57	0.4%
3808	Agrochemicals	765.31	1%
6109	T-Shirts	751.94	1%

Source: DGFT, Ministry of Commerce and Industry, Government of India
Note: HS 4-digit codes have been used as they capture more specific product categories, instead of 2-digit HS codes, which are broader and less granular.

*Please note. This data is for Europe and not EU.

[2] Reserve Bank of India's Annual Survey on Computer Software & ITES

For the European Union

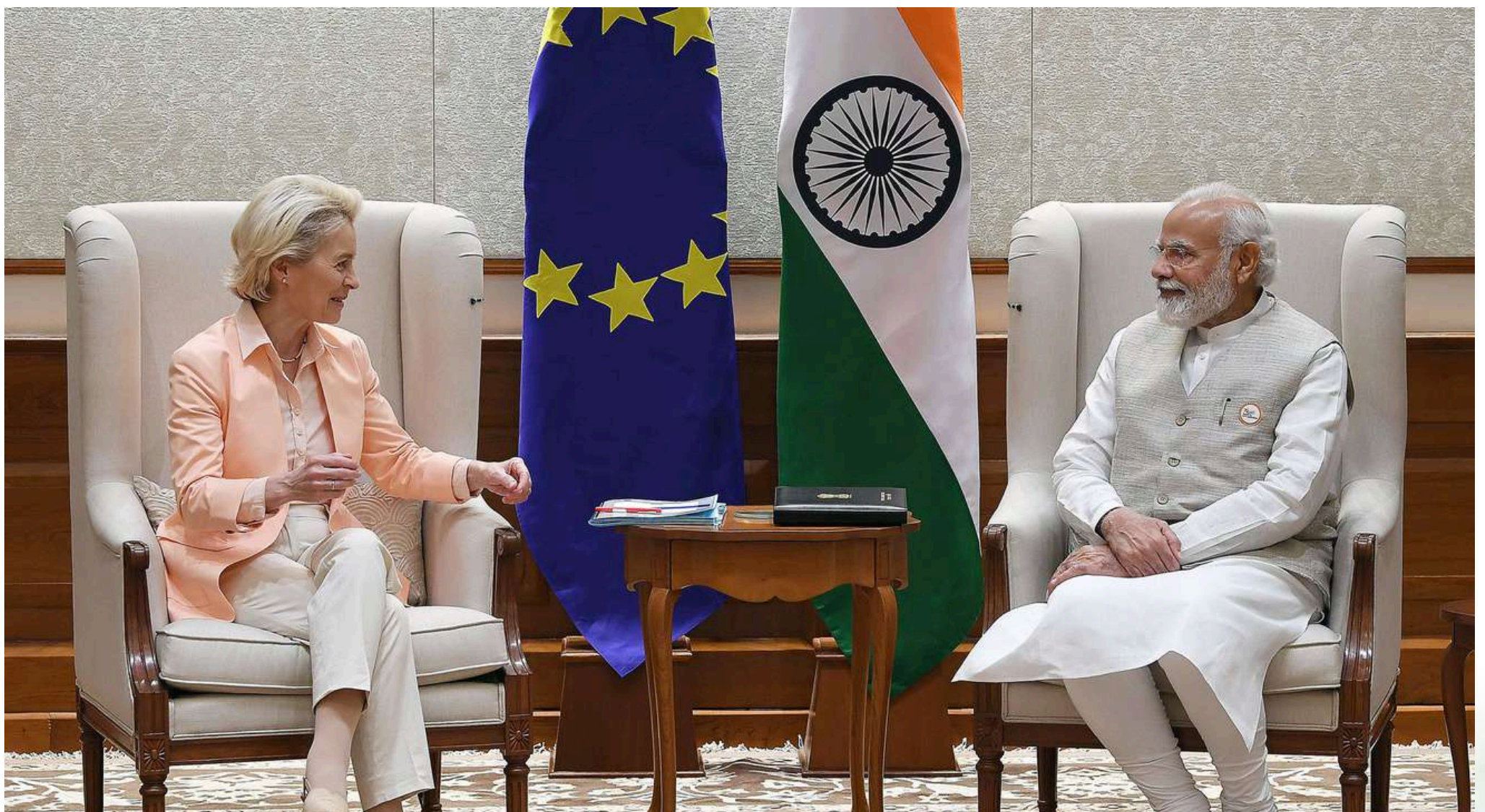
The FTA provides European companies with greater access to India's rapidly growing market and young workforce, particularly in services, advanced manufacturing, and technology sectors. Tariff reductions and streamlined regulatory regimes will enable European exporters to sell machinery, vehicles, pharmaceuticals, chemicals, aerospace components, and high-technology products more competitively in India. Enhanced investment protections and market access also make India a more attractive destination for EU capital, diversifying investment portfolios and deepening economic ties.

The European Union's investors will also benefit from greater clarity and certainty under the FTA's investment framework, encouraging long-term commitments in high-growth sectors in India.

For Bilateral Trade

The FTA is expected to break the recent three-year stagnation in bilateral goods trade by reducing tariff barriers, aligning rules of origin, and addressing non-tariff obstacles. It also helps diversify trade beyond the traditional concentration in a small number of EU member states, spreading opportunities across the bloc's 27 countries. By integrating regulatory cooperation and facilitating services and mobility, the agreement will create a more seamless trade environment for businesses and professionals on both sides.

By unlocking tariff reductions on goods and providing enhanced market access in services and investment, the India-EU FTA lays the foundation for more resilient, diversified, and balanced bilateral economic engagement. This is expected to generate sustainable growth in trade and investment, support job creation, and foster innovation across multiple sectors within both economies.



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