

India-EU Free Trade Agreement: A Strategic Breakthrough in India’s Global Trade Engagement, Mother of all Trade Deals

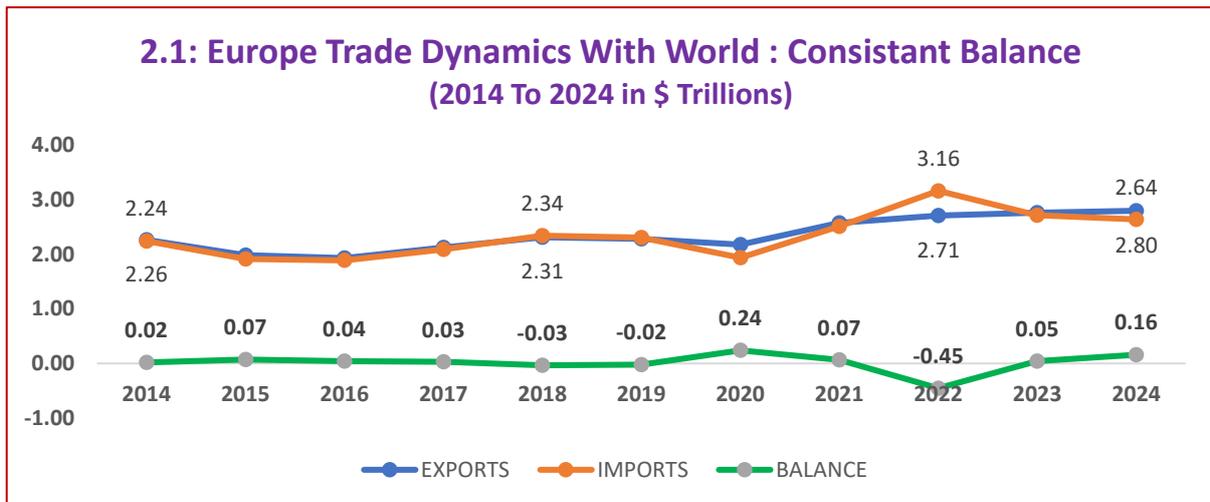
1.The "Mother of All Deals": An Overview of the India-EU FTA

The conclusion of negotiations for the India-European Union Free Trade Agreement (FTA) marks a watershed moment in global economic diplomacy. By integrating the world’s 4th largest economy (India) with its 2nd largest (the EU), this agreement establishes a modern, rules-based framework designed to navigate contemporary geopolitical shifts while fostering unprecedented market synergy.

Empowering India@2047: A Strategic Integrated Market, this partnership unlocks a combined market valued at **INR 2091.6 Lakh Crore (USD 24 trillion)**. Crucially, the FTA delivers unprecedented market access for more than **99% of India’s exports by trade value**, providing a stable, predictable environment for the 2 billion people within this trade corridor.

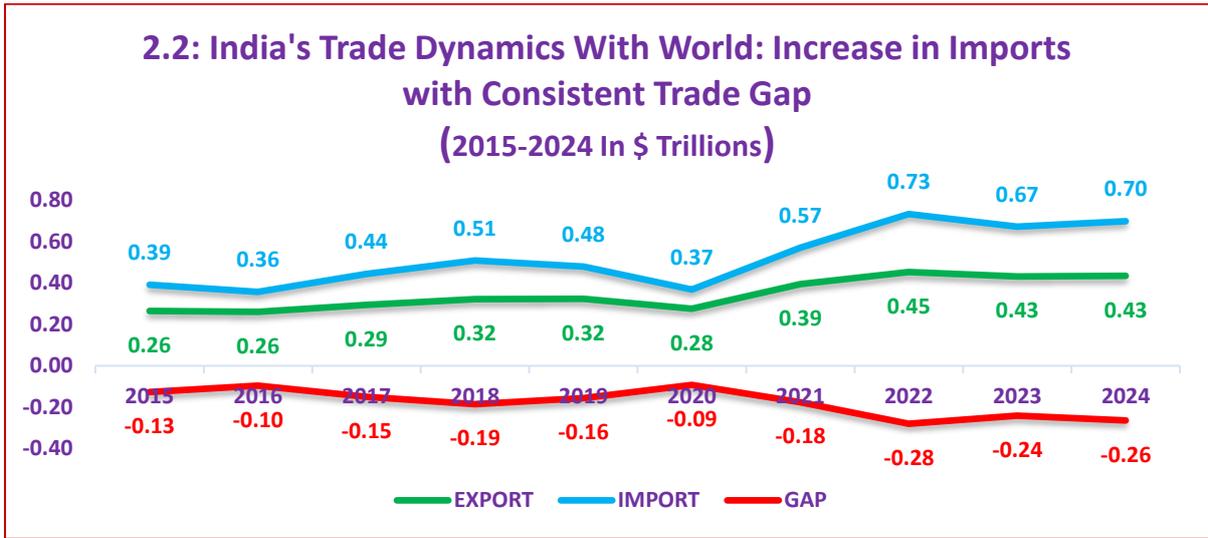
Now, with **99 per cent of India's exports to get duty-free access** from day one of the implementation of the pact in the EU, **the country’s outbound shipments are likely to double in five years**. In 2024-25, India's goods exports were USD 76 billion, and services were USD 46 billion.

2. Present India and EU Trade Dynamics Over the Years



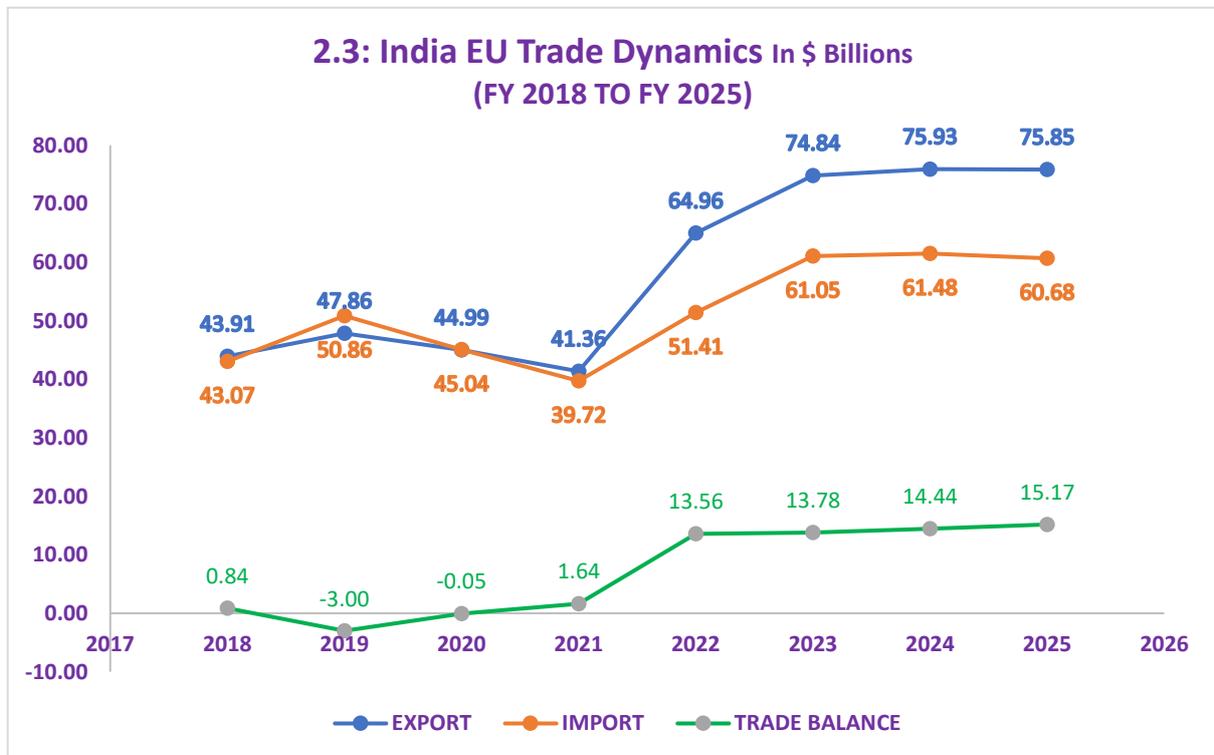
Source: UN Comtrade database

Micro Observations: Europe’s global trade expanded over the long term despite cyclical disruptions. Trade balances moved from near balance to deficits before the pandemic, reflecting higher import dependence. The pandemic year produced a temporary surplus as imports fell sharply. Post pandemic recovery was volatile, with a sharp deficit in 2022 due to energy shocks, followed by normalization and a return to surplus by 2023 and 2024.



Source: Ministry of Commerce and Industry

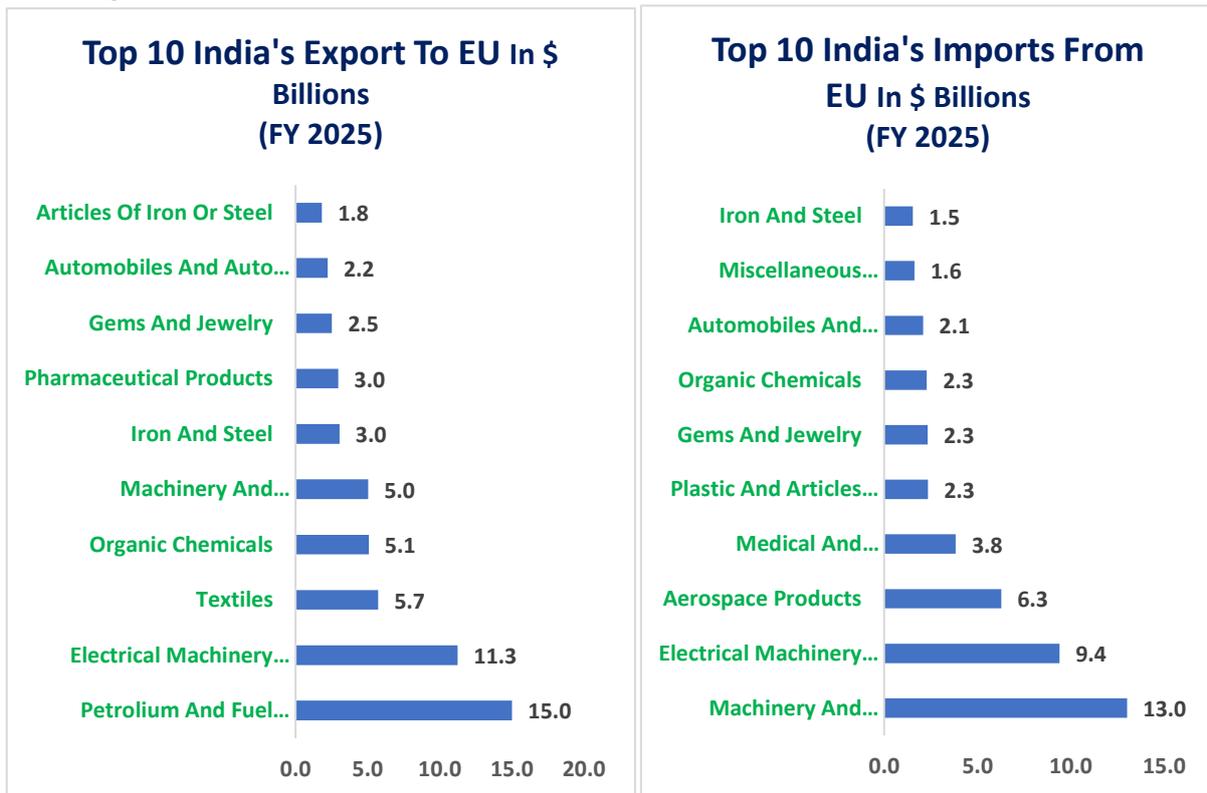
Micro Observations: India’s global trade expanded structurally over the period, driven by rising domestic demand and global integration. Imports consistently outpaced exports, resulting in a persistent trade deficit. The deficit widened during commodity price upswings and economic recoveries, especially due to energy imports. Post pandemic export growth strengthened but remained insufficient to offset import growth, keeping the external balance structurally negative.



Source: Ministry of Commerce and Industry

- ✓ India–EU trade rose from **43.9 billion dollars exports and 43.1 billion dollars imports in 2018** to **75.9 billion dollars exports and 60.7 billion dollars imports in 2025**, indicating deepening trade integration with the **European Union**.
- ✓ The trade balance moved from a marginal surplus of **0.84 billion dollars in 2018** to a deficit of **3.00 billion dollars in 2019**, before turning structurally positive from 2021 onward.
- ✓ In 2020, trade remained broadly stable, with exports at **45.0 billion dollars** and imports at **45.0 billion dollars**, resulting in a near-zero deficit of **0.05 billion dollars**, showing limited disruption relative to global trade trends.
- ✓ Exports surged from **41.4 billion dollars in 2021** to **75.9 billion dollars in 2024**, while imports rose more moderately from **39.7 billion dollars** to **61.5 billion dollars**, strengthening India’s external position.
- ✓ India’s trade surplus with the EU expanded from **1.64 billion dollars in 2021** to **15.17 billion dollars in 2025**, reflecting stronger competitiveness of Indian exports relative to import growth.
- ✓ The widening surplus since 2022, peaking at **14.44 billion dollars in 2024**, suggests a durable improvement in India’s trade performance with the EU, likely supported by services, engineering goods, and value-added manufacturing.

2.4: Top 10 Items of India-EU Trade:



Source: Ministry of Commerce and Industry

2.5: Trade share of India and India’s Trade competitors with EU

Country	Trade Share (2024)	Trade Volume (Billion Pounds)
United States	17.30%	851
China	14.60%	733
United Kingdom	10.10%	507
South Korea	2.50%	126
India	2.40%	120
Japan	1.40%	70

Source: European Commission Trade (policy.trade.ec.europa.eu)

3. Features of India-EU Free Trade Agreement (Signed on 27th Jan 2026):

3.1: Economic Magnitude of the Partnership:

Metric	Details (2024-25 Data / Strategic Scope)
Combined Share of Global GDP	25%
Share of Global Trade	Approximately 33% (One-third)
Total Population Reached	2 billion People
Bilateral Trade (Goods)	\$136.54 Billion (Exports: \$75.85bn; Imports: \$60.68bn)
Bilateral Trade (Services)	\$83.10 Billion
Strategic Coverage	99% of Indian exports enter EU duty-free

3.2: Decoding the Treatment: How Products Enter the EU Market

The FTA employs a sophisticated tariff elimination strategy. Rather than immediate, blanket removal, India secured three distinct categories of treatment. This phasing—particularly the 3-to-5-year windows—is strategically utilized for sensitive items like processed foods and marine products. This deliberate timeline allows Indian exporters to scale domestic quality standards and align with European Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) regulations before facing full market exposure.

Treatment Type	Scope (% of Tariff Lines / Trade Value)	Target Products (Examples)
Immediate Elimination	70.4% of lines / 90.7% of trade value	Textiles, apparel, leather, footwear, tea, coffee, spices, and gems & jewellery.
Phased Elimination	20.3% of lines / 2.9% of trade value	Select marine products, processed food, and arms/ammunition (0% duty reached in 3–5 years).
TRQs & Reductions	6.1% of lines / 6% of trade value	Cars, steel, specific shrimp/prawn products, and preserved vegetables (via Tariff Rate Quotas).

3.3: India's Key Exports to the European Union

The agreement delivers unprecedented market access for more than **99% of India's exports by trade value**.

Product / Sector	Specific Items Included	Tariff Treatment	Key Detail / Market Size
Textiles & Apparel	Yarn, cotton yarn, man-made fibre apparel, Ready-Made Garments (RMG), home textiles.	Immediate Duty Elimination (Zero duty from entry into force).	Opens a \$263.5 billion EU import market; targets tariffs previously up to 12%.
Leather & Footwear	Design-led sustainable products, MSME-driven leather goods.	Immediate Duty Elimination (Zero duty across all lines).	Tariffs of up to 17% eliminated ; targets a \$100 billion import market.
Gems & Jewellery	Artistry, heritage craftsmanship, MSME entrepreneurship products.	Immediate Duty Elimination (100% of trade value).	Tariffs of up to 4% eliminated; targets a \$79.2 billion market.
Engineering Goods	MSME-led industrial machinery, specialized tools.	Immediate Duty Elimination (Preferential access).	Addresses tariffs previously as high as 22% .
Medical Instruments	Lenses, spectacles, medical devices, measuring/testing instruments.	Immediate Duty Elimination (99.1% of trade lines).	Eliminates tariffs of up to 6.7% for cost-competitive entry.
Chemicals	Inorganic, organic, and agrochemicals.	Immediate Duty Elimination (97.5% of export basket by value).	Eliminates duties of up to 12.8% ; targets a \$500 billion market.
Marine Products	Shrimp, frozen fish, and value-added seafood.	Categorized Access: 100% of trade value covered; some lines zero duty over 3–5 years.	Tariffs of up to 26% reduced ; targets a \$53.6 billion market.
Agriculture & Processed Food	Tea, coffee, spices, grapes, gherkins, cucumbers, sheep/lamb meat, sweet corn, dried onion, fresh veggies/fruits.	Immediate Duty Elimination (Preferential access for most).	Strengthens rural incomes and empowers women's participation.

Plastics & Rubber	MSME-driven innovative rubber and plastic goods.	Immediate Duty Elimination (Preferential access).	Targets an EU import market valued at \$317.5 billion .
Mines & Minerals	Quality reliable and value-added minerals.	Immediate Duty Elimination (100% of tariff lines).	Breaks cost barriers for minerals used in steel, electronics, and renewables.
Home Décor & Crafts	Wooden crafts, bamboo furniture, handcrafted furniture.	Immediate Duty Elimination (Lower duties of up to 10.5% removed).	Strengthens India's role in global design-oriented supply chains.
Sports Goods & Toys	MSME innovation-driven sports and toy products.	Immediate Duty Elimination (Zero duty upon entry).	Focuses on employment generation and EU market integration.
Arms & Ammunition	Specialized equipment.	Phased Duty Elimination (Zero duty over 3 to 5 years).	Covers 20.3% of tariff lines including specific marine and food items.
Automobiles & Steel	Vehicles and steel products.	Tariff Rate Quotas (TRQs).	Preferential access through defined volume quotas.

3.4: Strategic Exclusions & Safeguards

To protect domestic priorities and farmer livelihoods, India has secured a "no market access" status for specific sensitive sectors.

Sector	Items Excluded	Status
Sensitive Agri	Dairy, cereals, soymeal, and poultry.	No market access granted to the EU.
Other Agri	Certain fruits and vegetables.	Subject to prudent safeguards.

3.5: India's Offer to the EU (Imports into India)

This section includes the "auto parts" and "components" information you requested regarding phased elimination for imports coming from the EU into India.

Category	Product / Sector	Tariff Treatment
High Tech Goods	EU-origin innovation and specialized technology.	Immediate Duty Elimination.
Auto Components	Auto parts and related manufacturing components.	Phased Elimination (Over 5, 7, and 10 years).
Automobiles	High-end EU cars.	Phased Elimination via calibrated and carefully crafted quotas.
Selected Agri	Apples, Pears, Peaches, and Kiwi Fruit.	Phased Reductions and Tariff Rate Quotas (TRQs).

4. Beyond Goods: Services, Talent, and Intellectual Property

In a reciprocal breakthrough, the EU has committed to 144 services subsectors, while India has offered 102 subsectors—including priorities like telecommunications, maritime, and environmental services—to facilitate European investment.

4.1: Powering India's Talent Mobility

India is solidified as a global talent hub through a comprehensive framework that includes:

- I. **Business Visitors:** Streamlined short-term travel for deal-making.
- II. **Intra-Corporate Transferees:** Ease of movement for Indian employees (and their families) within EU-established firms.
- III. **Contractual Service Suppliers:** Access to 37 sub-sectors including IT and professional services.
- IV. **Independent Professionals:** Certainty in 17 sub-sectors, including R&D and higher education.
- V. **Social Security & Education:** A 5-year goal to establish Social Security Agreements with all EU Member States and a framework for Indian students to access post-study work visas.

4.2: IPR, Innovation, and AYUSH

- I. **AYUSH & Traditional Medicine:** In a major "soft power" win, AYUSH practitioners can now provide services in the EU using qualifications gained in India (in non-regulated states). The deal also "locks in" the right to establish wellness clinics in Europe.
- II. **IPR Excellence:** The FTA recognizes the Traditional Knowledge Digital Library (TKDL) and reinforces protections for trade secrets and plant varieties, while upholding the Doha Declaration on public health.

5. EU-India Trade: Technical Barriers & Alignment

India-EU FTA faces key non-tariff hurdles in environmental standards (CBAM) and digital trade, addressed via MFN assurances and WTO-aligned rules.

5.1. CBAM Impact

EU's Carbon Border Adjustment Mechanism threatens 10-15% of India's EU steel/aluminium exports. India secured MFN status, ensuring automatic extension of any future EU concessions to other partners.

5.2. Digital Trade Rules

India adopted WTO e-commerce joint initiative rules in the FTA chapter—despite not joining originally—to signal "rules-based" commitment, boosting EU high-tech investment and e-commerce certainty.

5.3. Renewable Advantage

India's early 2030 renewable targets (achieved 2021) and 36% carbon intensity cut provide a hedge, aligning industry with EU green standards proactively.

6. Key Operational Details:

- Ease of Compliance:** Indian exporters can now use **self-certification** via a "Statement on Origin," reducing the cost and time of doing business.
- Rules of Origin (PSRs):** The deal includes a **transition period** for certain machinery and aerospace sectors to incentivize the "Make in India" initiative.
- MSME Support:** Specific **quotas are locked in** for shrimps, prawns, and downstream aluminium products to help MSMEs source necessary inputs.

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Madhavankutty G (Chief Economist)

Samir Kumar | Jaya Kumari | Ankit Gupta | Sonal Rashmi Ekka | I. Ramakrishna
For Suggestions and views please contact, Economic Research Vertical

 080-2222 3169 (Chief Economist)
080-2227 3275 (Section)

 chiefeconomist@canarabank.com
hoersection@canarabank.com