CIHS | Centre for Integrated and Holistic Studies

***EXPLAINER***

# India-EU Free Trade Agreement

Published January 29, 2026
Publication No. P0545-29012026

**EXPLAINER**

# India-EU Free Trade Agreement

Centre for Integrated and Holistic Studies (CIHS) is a non-partisan, independent, research think tank headquartered in New Delhi, India. CIHS is dedicated to enriching individual decision-making by presenting innovative ideas, fostering informed public debate, and advancing effective policy and programme development to advance humanity. Aspiring to positively shape the future of society, CIHS works to share knowledge on pressing global challenges and opportunities by fostering a 'culture of scholarship 'and advancing informed public engagement.

Every effort is made to ensure that the information contained in these publicly available briefings, factsheets, reports are correct at the time of publication. However, if you have any comments on our documents please email **info@cihs.org.in**

**Table of Contents**

## Executive Summary

- The India-EU Free Trade Agreement (FTA) was finalised on 27 January 2026, after nearly 18 years of negotiations. Its size and reach make it one of the most significant trade agreements India has made with a major economic bloc.
- The agreement connects two economies that together represent 2 billion people, about one-third of global trade and roughly 25% of global GDP. This strengthens ties between India and the EU at a time when global trade is becoming more fragmented and protectionist.
- Even though negotiations are done, the agreement still needs legal review and approval from the European Parliament, EU member states and the Government of India. Implementation is expected in late 2026 or 2027.
- The EU is already India's biggest trading partner, and the trade between the two countries stood at $136.5 billion in 2024-25. The FTA is likely to increase this to $200 billion by 2030, due to the elimination of tariffs and non-tariff barriers.
- The pact accounts for more than 96% of the trade value, which is a transition from a limited preferential trade agreement to a full market access agreement:
    - Indian exports receive preferential or zero-duty access in the categories of textiles, leather, gems and jewellery, pharmaceuticals and chemicals.
    - EU exports receive tariff cuts in automobiles, machinery and industrial equipment, wine and spirits, which are normally subject to quotas and transition periods.
- To cope with the limitations imposed by the domestic political economy, agri-products (dairy, sugar, beef and rice) continue to remain largely exempted. At the same time, automobiles and alcohol face gradual liberalisation and quota-based access.

- Going beyond tariffs, the agreement focuses on the liberalisation of services, investment protection, regulatory cooperation, customs cooperation and professional mobility, which are of particular significance to the IT, telecom, business and professional services sectors.

- Standardisation, certification and conformity assessment, particularly in the pharmaceutical, chemical, machinery and medical devices sectors, removes historical obstacles to Indian access to EU markets.

- The FTA offers India a new, high-quality export market in a world of rising tariffs and protectionist trends, particularly in the United States, while also allowing the EU to enhance its economic presence in the Indo-Pacific region.

- Environmental rules and the EU’s Carbon Border Adjustment Mechanism (CBAM) are still important implementation hurdles. The deal contains climate cooperation commitments, such as €500 million in EU funding for India’s transition, but will involve substantial adjustments for carbon-intensive industries.

- The India-EU FTA is a structural reset of India’s global economic approach, linking tariff liberalisation with regulatory and services reform. Although there are still challenges in terms of distribution and adjustment, the deal is expected to impact India-European trade patterns, enhance supply chain resilience and provide a blueprint for future mega-trade deals in a global trading system that is increasingly fragmented.

## Context

After roughly 18 years of intermittent negotiations, the India-European Union Free Trade Agreement (FTA), also referred to as a Broad-based Trade and Investment Agreement (BTIA), was affirmed as concluded on January 27, 2026.

Branded as the "mother of all trade deals," the agreement seeks to increase investment, liberalise trade in goods and services and strengthen strategic and economic ties between India and the EU, one of India's significant trading partners.

Together, India and the EU account for a market of about 2 billion people, a third of global trade and roughly 25% of the world's GDP. It unites India, which has a sizable consumer market and a rapidly expanding economy, with the EU, one of the biggest economic blocs in the world.

The negotiations are settled, but the FTA still has to undergo formal legal scrubbing and ratification by the European Parliament and member states and the Indian government before it can come into force. The implementation is expected in late 2026 or 2027.

The India-EU Free Trade Agreement aims to significantly reduce, and in many cases eliminate, tariffs over a broad range of goods and services, facilitating easier trade between two of the world's largest economic blocs. The importance of the agreement is magnified by the fact that it took a long and arduous path to completion, with negotiations starting in 2007, breaking up in 2013 amidst differences and remaining dormant for almost a decade before being restarted in a different global trade context.

This agreement is part of a broader effort by the Indian government to enhance trade integration, following on the heels of other significant trade agreements such as the India-United Kingdom Comprehensive Economic and Trade Agreement, signed in mid-2025 and the India-EFTA Trade and Economic Partnership Agreement with Switzerland, Norway, Iceland and Liechtenstein, concluded in March 2024 and entered into force on 1st October 2025.

The agreement is generally considered a strategic move in response to the changing global dynamics of trade, especially the rise of protectionism in other major markets, as well as the efforts of both parties to diversify supply chains and is also notable as one of India's biggest trade agreements with a major economic bloc.

**Strategic Economic Ties**

The European Union is already India's biggest trading partner, with bilateral trade in goods already exceeding $136.5 billion in 2024-25 and the FTA is expected to give this relationship a boost, taking trade volumes to the $200 billion mark by 2030.

Apart from the tariff aspects, the fact that the agreement aims for a higher degree of harmonisation of standards, certifications and approvals, particularly in the areas of pharmaceuticals, chemicals, machinery and key services, has the potential to remove non-tariff barriers that have been a stubborn obstacle to date and give Indian businesses a boost in entering the European market. This is particularly important for services exporters, with IT, business and telecom companies set to gain from the regulatory reforms.

The agreement is taking place in a context of rising global protectionism, most notably in the form of high U.S. tariffs on Indian exports of up to 50 per cent, which has forced both India and the EU to look to other partners. For Indian exporters, the FTA provides a vital safety net against overdependence on the U.S. market, providing access to a new high-value growth route in Europe at a time when punitive tariffs have forced the pace of exports elsewhere.

**Key Economic Features**

In contrast to the limited trade arrangements of the past, this FTA is wide-ranging and multi-sectoral and the important features of this FTA are:

- **Tariff Reductions**: FTA provides for the reduction of tariffs on the vast majority of the products traded between India and the EU, over 96% of the trade value, according to some estimates.
    - *EU exports to India*: Tariffs on automobiles, machinery, wine and spirits and most industrial products will be reduced or eliminated over a period of years.
    - *Indian exports to the EU*: Preferential access to the EU market for products such as textiles, leather, jewellery, pharmaceuticals and chemicals with duties reduced to zero on most lines over a period of years.

**What India gets from the EU**

About 95.7% of items in these sectors will see tariffs fall to 0% on Day 1 of the deal coming into effect

| Product | Old tariff | Post FTA tariff |
|---|---|---|
| Marine products | Up to 26% | 0% ↓ |
| Chemicals | Up to 12.8% | 0% ↓ |
| Plastic, rubber | Up to 6.5% | 0% ↓ |
| Leather footwear | Up to 17% | 0% ↓ |
| Textiles | Up to 12% | 0% ↓ |
| Apparel, clothing | Up to 12% | 0% ↓ |
| Base metals | Up to 10% | 0% ↓ |
| Gems and jewellery | Up to 4% | 0% ↓ |
| Railway, aircraft, ships | Up to 7.7% | 0% ↓ |
| Furniture and allied consumer goods | Up to 10.5% | 0% ↓ |
| Toys | Up to 4.7% | 0% ↓ |
| Sports goods | Up to 4.7% | 0% ↓ |

THE HINDU

- **Automobiles**: India's import taxes on European vehicles, which have historically been as high as 110%, will be gradually reduced, with a long-term goal of about 10% under EU sources. Volumes may initially be limited by quota measures.

**What EU gets from India**

Most of the tariff reductions will take place in stages over the span of 10 years.

| Product | Old tariff | Post FTA tariff |
|---|---|---|
| Machinery and electrical equipment | Up to 44% | 0% ↓ for almost all products |
| Aircraft and spacecraft | Up to 11% | 0% ↓ for almost all products |
| Optical, medical and surgical equipment | Up to 27.5% | 0% ↓ for 90% of the products |
| Plastics | Up to 16.5% | 0% ↓ for almost all products |
| Pearls, precious stones and metals | Up to 22.5% | 0% ↓ for 20% of the products and tariff reduction for another 36% of the products |
| Chemicals | Up to 22% | 0% ↓ for almost all products |
| Motor vehicles | 110% | 10% ↓ (quota for 250k) |
| Iron and steel | Up to 22% | 0% ↓ for almost all products |
| Pharmaceuticals | 11% | 0% ↓ for almost all products |

THE HINDU

- **Agricultural products**: Certain delicate farm products, such as rice, dairy, beef and sugar, are still prohibited or require special handling.

- Imported wine and spirits from the EU will see a gradual reduction in tariffs.

- **Services and investment**: The agreement addresses trade liberalisation of services, investment protections, regulatory cooperation, customs cooperation and easier access for professionals in specific fields.

- **Sustainability and cooperation**: This includes climate and sustainability pledges, such as the EU's commitment to support India (roughly €500 million) for cleaner and colder industrial transitions.

**Climate & Trade Standards**

Environmental standards and the EU's Carbon Border Adjustment Mechanism (CBAM) continue to be significant negotiation topics. In order to maintain market access over time, Indian industries will need to adjust to carbon reporting and compliance frameworks.

**Supply Chain & Investment Flows**

The agreement encourages new capital inflows, technology transfer and joint ventures by making it easier for European businesses to access India's sizable consumer and industrial market. Simultaneously, it strengthens two-way investment and solidifies India's integration into high-value global production networks by allowing Indian companies to connect more deeply into European value chains, particularly in automotive components, pharmaceuticals and technology services.

**Summary India Gain vs. EU Gain**

- **For India:**

  ✓ Preferential access to a wealthy, large consumer market

  ✓ Boost for exports in textiles, services, gems & jewellery, engineering goods

  ✓ More predictable rules for investment and services trade

- **For the EU:**

  ✓ Reduced barriers for cars, machinery, wine/spirit exports

✓ Greater participation in India's internal market of 1.4 billion people

✓ Strengthened strategic ties in India-Europe trade networks

**Summary: Winners & Losers**

| Sector | Likely Impact |
|---|---|
| Textiles & Apparel | Major beneficiaries – tariff cuts boost exports |
| Pharmaceuticals & Chemicals | Strong export growth potential |
| IT & Services | Improved market access |
| Auto Components (Exports) | Gains from EU demand |
| Automobiles (Domestic) | ● Competitive pressure from EU imports |
| Heavy Industries (Steel/Carbon-intensive) | ● Compliance and tariff challenges |
| Agriculture (Staples & Dairy) | ○ Largely excluded – neutral/protected |
| Processed Food & Beverages | Mixed – export opportunities but import pressures |

**Comparative Table of Key Tariff Changes under India-European Union Free Trade Agreement**

| Product / Category | Current Tariff (approximately ) | FTA Tariff After Implementation | Notes |
|---|---|---|---|
| Passenger Cars (EU → India) | 70 %–110 % (depending on price) | 10 % (quota 250,000 vehicles/year) | Big drop for premium European cars; quota applies |
| Pharmaceuticals | 11 % | 0 % | Most medicines see duty eliminated |
| Machinery & Electrical Equipment | Up to 44 % | 0 % | Duties removed on most items |
| Optical / Medical / Surgical Equipment | Up to 27.5 % | 0 % (90 % product lines) | Major cuts for healthcare imports |
| Plastics | Up to 16.5 % | 0 % | Covers most plastic products |
| Chemicals | Up to 22 % | 0 % for most lines | Many chemicals move duty-free |
| Iron & Steel | Up to 22 % | 0 % | Import duty cut for most products |
| Wine (EU → India) | 150 % | 20 %–30 % ultimately | Significant reduction over time |
| Spirits (EU → India) | 150 % | 40 % | Big tariff cut |
| Beer | 110 % | 50 % | About half the current duty |

| Product / Category | Current Tariff (approximately ) | FTA Tariff After Implementation | Notes |
|---|---|---|---|
| Olive & Vegetable Oils | Up to 45 % | 0 % | Duty eliminated |
| Processed Foods (e.g., bread, pasta, chocolate) | Up to 50 % | 0 % | Tariffs removed |
| Fruit Juices / Non-Alcoholic Beverages | Up to 55 % | 0 % | Duty eliminated |

**India-EU FTA: Tariff Reductions & Implementation Phases**

| Category / Sector | Tariff Treatment | Implementation Timeline | Notes |
|---|---|---|---|
| **Textiles & Apparel** | Tariff elimination / deep cuts | **Phase 1 (0–3 yrs)** | Labour-intensive Indian exports gain zero/preferential access to EU market (average 10% duties removed). |
| **Leather & Footwear** | Tariff elimination / deep cuts | **Phase 1 (0–3 yrs)** | Big boost for traditional Indian clusters. |
| **Gems & Jewellery** | Zero or reduced duties | **Phase 1 (0–3 yrs)** | High export value sector for India. |
| **Pharmaceuticals & Chemicals** | Preferential tariffs / phased reductions | **Phase 1–2 (0–5 yrs)** | Removes barriers to EU import market; timing depends on regulatory alignment. |
| **Automobiles (ICE)** | Cut from 110% → 40% initially → 10% | **Phase 1–3 (0–10+ yrs)** | Initial quota-based reduction; deep cuts later. |
| **Electric Vehicles (EVs)** | *Exclusion / delayed reduction* | **5 yrs delay + Phase 2 (5–10 yrs)** | EVs initially protected to support domestic industry; tariff relief begins later. |
| **Machinery & Electronics** | Preferential cuts / phased | **Phase 1–2 (0–5 yrs)** | Beneficial for Indian supply chain exports and imports of inputs. |
| **Wines & Spirits (Alcohol)** | Tariff reduction/quotas | **Phase 1–2 (0–7–10 yrs)** | Cuts expected but staged to protect domestic producers. |
| **Agriculture (bulk staples)** | **Excluded/sensitive** | — | Major items like dairy, sugar, beef excluded from tariff cuts to protect domestic farmers. |

| Category / Sector | Tariff Treatment | Implementation Timeline | Notes |
|---|---|---|---|
| **Services (IT, Telecom, Finance, Professional)** | Liberalisation & market access commitments | **Phase 1–2 (0–5 yrs)** | Regulatory cooperation, eased norms; no simple tariff number but improved access. |
| **Investment & IPR Protections** | Enhanced legal certainty | **Phase 1 (0–3 yrs)** | Facilitates FDI and intellectual property guarantees. |
| **Non-Tariff Barriers (SPS/TBT/Customs)** | Progressive reduction/alignment | **Phase 1–3 (0–7 yrs)** | Standards and regulatory harmonisation to cut trade costs. |

**Important Implementation Notes**

- To manage domestic political and economic sensitivities, agriculture and sensitive products are still mostly protected and are not immediately subject to tariff reductions.
- Quota frameworks with staged duties reflecting domestically sensitive industries are commonly found in alcohol and automotive commitments.
- Rather than just lowering tariffs, services outcomes are regulatory and access-oriented; market opening typically occurs concurrently with the alignment of professional and licensing standards.

The table above projects likely phases based on reporting and standard FTA practice; the final schedule and precise years will be formally defined in the legal treaty text once published.

**Concluding Observations**

India-EU Free Trade Agreement, which combines extensive tariff liberalisation, deeper service access and extensive regulatory alignment in a manner few agreements have attempted, represents a historic turning point in India's external economic engagement. It is structurally transformative, reshaping trade flows between India and Europe, bolstering economic resilience against growing global protectionism and firmly integrating India into global value networks and European supply chains. Even though industries vulnerable to import competition, such as passenger cars or strict

EU regulations, including carbon-linked costs, will require strategic adaptation and investment, labour-intensive industries, pharmaceuticals, services and higher-value exports stand out as major beneficiaries. When considered collectively, the agreement is one of the most significant economic agreements of this decade, redefining India's place in international trade, strengthening the EU's strategic involvement in India and establishing a potent model for future mega-regional trade architecture in the twenty-first century.

## References:


- AP News
- Financial Times
- Outlook India
- The Times of India
- The Indian Express
- Business Standard
- The Economic Times
- CAN
- Business Today
- India Briefing
- Reuters
- NDTV Profit
- European Union: Trade and Economic Security
- Outlook Business
- India News
- UK Political Info
- The Hindu
- PIB, Ministry of Commerce and Industry

CIHS Centre for Integrated and Holistic Studies

Centre for Integrated and Holistic Studies (CIHS) is an non-partisan, independent, research think tank headquartered in New Delhi, India. It is committed to bringing innovative ideas to the society, fostering informed public debate, promoting good policy and programme formulation. Ultimately, enhancing individual decision-making on some of the world's most pressing issues.