

## Analysis of India EU Free Trade Agreement (FTA)



The India-EU Free Trade Agreement (FTA) negotiations concluded in January 2026 at the 16th India-EU Summit in New Delhi, marking the end of a 20-year process. Treaty is poised to enhance bilateral trade by **reducing tariffs on over 99% of Indian exports to the EU by value**, potentially boosting India's GDP through increased exports, FDI inflows, and supply chain integration.

### Key Milestones

**Negotiations began in 2007** but gained momentum post-2022 with the Trade and Technology Council (TTC). Key steps included 14 formal rounds from 2022-2025, a final push in October 2025 resolving issues like autos and services, and **formal conclusion on January 27, 2026**.

### Implementation Timeline

Legal scrubbing and translation into EU languages will take 3-6 months, followed by EU Council/Parliament approval, formal signing later in 2026, and Indian cabinet ratification. The deal enters force in phases starting early 2027, with tariff cuts (e.g., up to 10 years on machinery) rolled out gradually through 2032+.

### Phased Rollout

Initial benefits in 2027 focus on textiles, gems, and pharma via near-99% duty elimination on Indian exports. **Full implementation by 2032 doubles EU goods exports to India, with safeguards for sensitive sectors like dairy.**

### Economic Impact

The FTA could add up to 1.6% to India's GDP growth via expanded market access, job creation in export sectors, and diversified imports lowering input costs for manufacturing. Exports to the EU—India's largest bloc at ~17% of total—may rise significantly, supporting "Make in India" and Viksit Bharat goals, though short-term adjustment costs arise from EU competition in sensitive areas like dairy and autos.

## Benefiting Sectors

Labor-intensive and competitive Indian sectors gain most from zero or phased-out EU tariffs.

(Amounts in USD in Bn approx.)

Sector	Key Benefits	Pre-FTA Exports to EU	Expected Gains
Textiles & Apparel	12% tariff to 0%; access to \$263 Bn market	7.7	Higher orders, MSME jobs; 20% of India's textile exports
Gems & Jewellery	4-26% duties eliminated	5-6	Competitiveness vs. rivals like Vietnam
Leather & Footwear	Zero duties on marine/leather goods	2	Labor-intensive export surge
Pharmaceuticals	Reduced barriers; 11% duties cut	8	Deeper GVC integration
Engineering Goods	Tariff liberalization	10	Enhanced machinery/metal exports
Chemicals & Plastics	22% duties phased out	6	Cost savings, volume growth

These represent ~\$33 Bn in exports now facing duties, entering duty-free upon implementation. (~ denotes approximate)

## Challenged Sectors

India's agriculture (e.g., dairy, poultry) and autos face EU import surges after tariff cuts (e.g., cars from 110% to 10%), risking domestic producers without safeguards. High-tech imports like machinery may pressure local manufacturing initially, though they reduce costs long-term.

## GDP and Growth Impacts

Analyses estimate a 0.5-1.6% boost to India's annual GDP growth over the next decade, driven by duty-free access for \$33 billion in exports and cheaper EU imports reducing input costs by 10-20% in sectors like autos and chemicals. It supports 2-3 million jobs in labor-intensive industries while enhancing "Make in India" via supply chain shifts from China, though short-term disruptions in agriculture may offset 0.2-0.5% initially.

## Trade Volume Projections

Bilateral trade, currently ~\$136-140 billion (EU at 17% of India's total exports), could double to \$250-300 billion by 2030-32, with Indian exports rising 25-40% (~\$35-45 billion gain) via 99% tariff elimination. EU exports to India may double to ~\$100 billion by 2032 from phased cuts (e.g., cars 110% to 10%), narrowing India's trade deficit while stabilizing forex reserves.

### Sectoral Economic Effects

Export sectors like textiles, gems, pharma, and engineering see 15-30% volume surges, adding \$20+ billion annually; imports lower machinery costs, aiding SMEs. Net positive: 1-2% export-to-GDP uplift, with safeguards mitigating agri/auto vulnerabilities.

### Projected FDI Growth

EU FDI inflows, already at USD 70 billion in 2023-24 (Europe's share), could rise 20-30% annually post-FTA, potentially reaching USD 100-120 billion by 2030 as India becomes a "China-plus-one" hub for manufacturing and services. A parallel Investment Protection Agreement strengthens dispute resolution and IP safeguards, encouraging greenfield projects and expansions, with annual duty savings of up to €4 billion aiding EU firms' cost competitiveness.

### Targeted Sectors for Investment

Key inflows target high-potential areas like renewables, autos, electronics, and pharma intermediates, alongside textiles/gems for near-shoring.

Sector	Expected Investment Focus	Projected Impact
Manufacturing	Greenfield plants, tech transfers	15-25% FDI surge; MSME clusters
Clean Energy	Solar/wind joint ventures	Strategic tech inflows
Autos/Electronics	Supply chain diversification	Expansion of EU operations
Services (IT/Finance)	Mobility, professional services	Job creation, GVC integration

### EU Exports to India: Pre- and Post-FTA Tariff Rates

Tariffs on over 90% of EU goods will be eliminated or reduced, phased over 5-10 years from [Entry into Force \(EIF, expected Q1 2027\)](#).

Product Category	Pre-FTA Rate	Post-FTA Rate	Effective Timeline
Passenger Cars	110%	10% (quota: 250,000/year)	Phased 5-10 years from 2027
Machinery/Electrical Equipment	Up to 44%	0% (most)	EIF (2027) or up to 10 years
Chemicals	Up to 22%	0% (most)	EIF (2027)

Product Category	Pre-FTA Rate	Post-FTA Rate	Effective Timeline
Pharmaceuticals/Intermediates	Up to 11%	0% (most)	EIF (2027)
Aircraft/Spacecraft Parts	Up to 11%	0% (nearly all)	EIF (2027)
Medical/Surgical Equipment	Up to 27.5%	0% (90%)	EIF (2027)
Wine	150%	20-30% (halved initially)	2027 (75%), phased to final
Spirits	150%	40% initially, lower phased	2027, 5-10 years
Olive Oil/Vegetable Oils	Up to 45%	0%	EIF or 5 years (by 2032)
Processed Foods (chocolate, pasta, biscuits)	30-55%	0%	EIF or 5 years

### Indian Exports to EU: Pre- and Post-FTA Tariff Rates

EU eliminates duties on ~99% of Indian exports by value (~\$33 Bn), immediate or phased from EIF.

Product Category	Pre-FTA EU Rate	Post-FTA Rate	Effective Timeline
Textiles/Apparel	Up to 12%	0%	EIF (2027)
Gems/Jewellery	4-26%	0%	EIF (2027)
Leather/Footwear	Up to 17%	0%	EIF (2027)
Engineering Goods	Up to 4-10%	0% (most)	EIF or short phase
Chemicals/Plastics	Up to 22%	0%	Phased up to 7 years
Pharmaceuticals	Up to 11%	0% (most)	EIF (2027)
Ceramics	Varies	0% (most)	EIF (2027)

**Sensitive items (e.g., EU dairy/agri to India) retain safeguards; full rollout by 2032-35.**

## Overall Assessment

The FTA delivers net positive outcomes for India through duty-free access for \$33 billion in labor-intensive exports (textiles, gems, leather, pharma), projected 25-40% export growth to the EU (India's top bloc at 17% of total), 0.5-1.6% GDP uplift, 2-3 million jobs, and 20-30% annual FDI surge from key EU nations like Germany and Netherlands.

### Key Benefits to India

- ❖ **Export Surge:** Zero EU tariffs boost competitiveness in textiles (12% to 0%), gems (4-26% to 0%), engineering goods, and chemicals, targeting \$35-45 billion gains by 2030.
- ❖ **Investment and Integration:** €100-120 billion FDI by 2030 in manufacturing, renewables, and autos; "China-plus-one" positioning enhances GVC role and "Make in India".
- ❖ **Consumer and Input Gains:** Phased cuts on EU machinery (44% to 0%), chemicals (22% to 0%), and cars (110% to 10%) lower costs for Indian industry by 10-20%.

### Potential Drawbacks and Mitigations

Agriculture/dairy faces EU competition (safeguards retained), and short-term MSME adjustments may cause 0.2-0.5% GDP drag, but phased rollout (2027-2032) and exclusions (poultry, rice) protect sensitivities.

## Disclaimer: India-EU Free Trade Agreement (FTA) Information

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