

India EU Free Trade Agreement Concluded

28 January 2026

Introduction and background

On 27 January 2026, India and European Union (EU) announced conclusion of the Free Trade Agreement (FTA) after negotiations spread over more than 2 decades. Trade partnership between the world's 2nd and 4th largest economies, comprising 1/4th of the global GDP and 1/3rd of global trade-involving about 2 billion people will create unprecedented trade and investment opportunities.¹ The historic and ambitious deal is touted as mother of all FTAs.

FTA is expected to be operationalised early next year after legal scrubbing and adoption and ratification of deal of the EU Council and EU Parliament.

Objectives and coverage

The stated objectives include deepening economic and political ties, reinforcing rules-based trade, and expanding market access in goods, services and investment-relevant areas (IP, sustainability, SME facilitation) and enhanced mobility.²

During the year 2024, the EU imported goods from India worth around €71 billion, while exports from the EU to India stood at €49 billion. In the same year EU imported services worth €33.8 billion from India whereas the EU exported services amounted to €26 billion.

Trade in goods

What India gains:

- Tariffs on almost 99% of goods exports will be eliminated.
- Existing tariff upto 10% on labour-intensive sectors i.e. textiles, apparel, leather, footwear, marine products, gems and jewellery, handicrafts, engineering goods, and automobiles be eliminated.

What EU gains:

- Tariffs on over 90% of EU goods exports will be eliminated or reduced.
- Saving of €4 billion per year in duties on European products.
- Major sectors covered under the FTA are machinery and electrical equipment, Aircraft and spacecraft, Optical, medical and surgical equipment, Plastics, Pearls, precious stones and metals, Chemicals, Iron and steel and Pharmaceuticals. Tariff on luxury cars would be reduced from existing 110% to 10% for annual quota of 250,000 units.

¹ See PIB Press Release - India-EU Free Trade Agreement Concluded: A Strategic Breakthrough in India's Global Trade Engagement

² See European Commission, "EU and India conclude landmark Free Trade Agreement", Press release, 27 January 2026.

Particularly, from an India-centric lens, the agreement is slated to lead to:

- lower input costs and technology access for Indian manufacturers through cheaper EU capital goods and intermediates;
- increased competitive pressure on select Indian import-competing sectors-and
- heightened compliance linked to EU standards and sustainability disciplines.³

Husbandry, Agri & Diary products

From India's perspective, key commodities such as tea, coffee, spices, fresh fruits and vegetables, and processed foods will gain enhanced competitiveness.

From EU's perspective, key commodities such alcohol (wines, spirits, beer), processed agricultural products (breads, pastries, biscuits, pasta, chocolate, pet food), fruits (kiwis, pears, fruit juices and non-alcoholic beer), Olive and other vegetable oil, meat (sheep meat, sausages) will have major reduction of tariff.

Sensitive Products / Exclusions

India has safeguarded sensitive sectors, including dairy, cereals, poultry, soymeal, certain fruits and vegetables, balancing export growth with domestic priorities. The EU press release also states "beef, chicken meat, rice and sugar are excluded from liberalisation" and that EU food safety rules remain applicable to imports.⁴

Trade in services

Under the FTA, India will have broader and deeper access to 144 services subsectors, including IT/ITeS, professional services, education, tourism, construction and other business services. Indian service providers will get a stable and conducive regime in the EU market to supply their services. India's competitive, high-tech services are expected to drive India's exports while benefitting EU businesses and consumers.⁵

EU will have greater access to 102 subsectors such as professional, business, telecommunications, maritime, financial, and environmental services. This will offer EU businesses a predictable regime to bring investment and innovative services to India thereby enhancing their exports and providing best in class services to Indian businesses.

Mutually beneficial framework is set to accelerate trade in services, unlock new opportunities for Indian professionals and businesses, and strengthen India's presence in high-value global markets, fostering innovation, skills mobility, and knowledge-based economic growth.⁶

Rules of Origin

Rules of Origin i.e. criteria for originating and non-originating goods, value addition, and change in HSN level, re-invoicing and retrospectively issuance of certificate, verification and audit machinery are yet to be outlined.

Other provisions

Intellectual Property (IP)

Both parties will effectively protect and enforce IP rights (copyright, trademarks, designs, trade secrets and plant variety rights—to promote innovation and creativity and reduce trade barriers and incentivise investments.

³ *Supra Footnote 2*

⁴ *Supra Footnote 2*

⁵ *Supra Footnote 1*

⁶ *Supra Footnote 1*

SMEs Chapter / Facilitation

The FTA contains a “dedicated chapter” which will support Small and Medium Enterprises (SMEs) (contact points, information, assistance, etc¹) This can be relevant for Indian SME exporters if reciprocity is operationalised with simplification in import procedures, proof of origin processes, digital enquiry points and information portals).

Sustainability and Climate Change Co-operation

The FTA would address environmental protection, climate change, workers' rights and women's empowerment, including dialogue/cooperation platforms and implementation mechanisms. Through Carbon Border Adjustment Mechanism (CBAM) provisions, commitments have been secured including a forward-looking most-favoured nation assurance extending flexibilities if any granted to third countries under the regulation, enhanced technical cooperation on recognition of carbon prices, recognition of verifiers, as well as financial assistance and targeted support to reduce greenhouse gas emissions and comply with emerging carbon requirements. Additionally, an MoU is envisaged to create an EU-India climate platform (launch in H1 2026) and “€500 million” in EU support over 2 (two) years is referenced (subject to EU budgetary procedures).⁷

Non-trade Barriers

Details on certain aspects such as Government Procurement, Sanitary and Phytosanitary Standards (SPS), Technical Barriers to Trade (TBT), conformity assessment procedures, etc. are not, as such, addressed in the press releases.

Overview of potential for India

On the outlines indicated in the press announcements, the FTA promises to be net-positive for India's growth with benefits ranging from lowers input costs, improved productivity through cheaper machinery and advanced intermediates; The FTA may also catalyse technology transfer and investment via deeper integration with EU value chains; and offer invaluable support to joint evolution of green industrial transformation through the sustainability/cooperation climate support.

FTA benefits can also lead to enhanced import competition in certain sectors such as autos, parts, chemicals, certain agri/processed categories. However, the overall impact assessment will heavily depend on specific staging periods, exclusions, Rules of Origin and Product specific-Rules. The extent of reciprocal EU market access for India's competitive exports, textiles, pharmaceuticals, engineering goods and services, details of which are yet to be fully examined.⁸

At the same time, importers and exporters can expect heightened scrutiny of Indian sectoral regulations to ensure consistency and conformity with FTA parameters on Certificates of Origin as fulfilment of preferential tariff requirements.

It is also important to note that India has in place a very strict and high-scrutiny statutory mechanism in the form of the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR). The CAROTAR-is intended to serve as a mechanism by which Indian Customs is accorded authority to enforce strict examination and verification processes.—It is expected that CAROTAR provisions will not be diluted in FTA.

Most pertinent to note is that with the successful implementation of the India-EU FTA, when seen along with the India-UK FTA and the India-EFTA Trade and Economic Partnership Agreement, India will be able to secure preferential trade access across the entire geography of European continent. This also signals positive indications for deeper value chain integration for business at both the intra-EU and India level. This can also serve to stimulate growth cross-border strategic investments for businesses and facilitating seamless cross-border trade.

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⁷ Supra Footnote 2

⁸ Supra Footnote 2



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