

India, EU to push for trade deal by '25-end

PHOTO: PTI

Pacts on investment protection, GI to come with the agreement

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Prime Minister Narendra Modi and European Commission President Ursula von der Leyen on Friday set a deadline to seal the long-pending free-trade agreement (FTA) by the end of this calendar year, amid fears of an escalating trade war and a changing geopolitical landscape.

The trade deal will be accompanied with pacts on investment protection and geographical indicators (GI).

Finalising a trade deal is expected to give a fresh impetus to relations between India and the European Union (EU), amid fast-changing geopolitical scenarios — diversifying supply chains from China and, more recently, the escalating trade war due to reciprocal tariff threats from American President Donald Trump.

The timing of these FTA talks will be crucial since India and the US plan to negotiate the first phase of a trade agreement over the next seven-eight months.

Turn to Page 15 ▶



Prime Minister Narendra Modi with European Commission President Ursula von der Leyen in New Delhi on Friday

EU keen on greater market access to agriculture sector

Finalising a trade deal with the US and EU will result in India having FTAs with two of its largest trade partners — indicating the growing importance of bilateralism in trade.

“The sectors our talks covered included trade, technology, innovation, skill development, mobility and more. We also seek to deepen investment linkages. At the same time, our commitment to sustainability remains paramount, reflecting in discussions around green hydrogen, renewable energy and more,” Modi said on X, after meeting von der Leyen, who is on a two-day visit to New Delhi. She was accompanied by European Union (EU) commissioners from 21 countries — the first such visit to India.

An India-EU broadbased bilateral trade and investment agreement (BTIA) was mooted 18 years ago. However, after 15 rounds of discussion, negotiations were stalled in 2013 because the two sides were not able to compose their differences.

Thereafter, talks were relaunched in June 2022, but despite nine rounds of negotiations, a gulf stayed between the two sides. Then an assessment remained pending at a “political” level after the previous round of negotiation

in September.

A senior EU official said the trade bloc was ready to respond to India’s request but its top priorities include cars, wines and spirits, agriculture, and government procurement. The official also laid stress on the fact that lower duties for wines and spirit were a non-negotiable demand.

“For us, cars, and wines and spirits are examples of two very important sectors for European industry... I would even go so far as to say without substantive commitments on cars, there will not be a trade agreement between the EU and India. And of course, our Indian colleagues and counterparts are duly aware of that, but it is up to them to respond to that,” the official said.

The trade bloc is keen on greater market access in the agriculture sector, especially in processed agricultural products from countries like France and Italy. “We remain fully focused on getting a good deal for Europe and will also include strong commitments on agriculture. The trick is always to navigate the sensitivities in a way that can isolate ... but maintain a high level of commitment,” the official told reporters.

One of the major hurdles in the way of the talks has been New

Delhi’s concern over the EU’s stance on sustainable development, since the trade bloc is set to implement regulations such as the carbon border adjustment mechanism (CBAM), deforestation regulations, and supply-chain law. India officials say gains could be limited because these regulations will become a non-trade barrier and hurt Indian exports at a time when both sides are trying to finalise an FTA. However, they also welcomed relatively easy compliance norms for the CBAM, announced by the EU on Wednesday.

“The CBAM is a concern for a large number of countries in the global south and India. We have noted that the EU has made modifications to the CBAM to make it easier to comply with,” a senior official of the Ministry of External Affairs told reporters in a briefing.

The EU is India’s largest trading partner, accounting for 12.2 per cent of Indian trade, surpassing the US, which has a 10.8 per cent share, followed by China at 10.5 per cent.

India is the EU’s ninth-largest trading partner, accounting for 2.2 per cent of the bloc’s trade in goods in 2023.

At \$75.9 billion, the EU accounted for 17.4 per cent of India’s goods export during 2023-24, while imports stood at \$61.5 billion, with a 9 per cent share.

The trade bloc is India’s second-largest trading partner in goods.

