

India hopes to clinch early harvest trade agreement with EU by July

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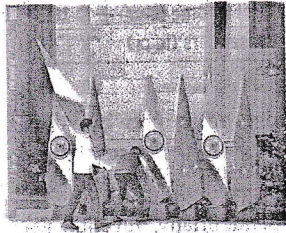
After clinching a free trade deal with the UK earlier this month, India hopes to seal an early harvest trade agreement with the 27-member European Union by July. The agreement is expected to lead to greater market opportunities for India's labour-intensive sectors such as readymade garments, pharmaceuticals, engineering goods and electrical machinery, sources said.

TRICKY ISSUES LATER

"The India-EU early harvest deal will focus on core trade issues, primarily tariff cuts and market access, while the tricky issues around sustainability, including labour, environment and gender, are likely to be dealt with later, in the second phase," a source tracking the matter told *businessline*.

The early pact will also include commitments in the areas of government procurement and intellectual property rights, in line with the FTA signed with the UK, but the nitty-gritty of it are yet to be hammered out, the source added.

India's negotiating team



India's negotiating team for the India-EU FTA is in Brussels this week

for the India-EU FTA is in Brussels this week to build on the momentum generated by the eleventh round of negotiations that successfully concluded in Delhi on May 16.

"The EU is keen on steep duty cuts for items such as automobiles, alcohol, meat, poultry and medical devices. It also wants concessions in government procurement and IPR. The last-mile issues are being sorted out. Hopefully the deal can be completed by July," the source said.

India hopes that tariff cuts for labour intensive items, including readymade garments, will create a level playing field for its goods in the EU market where countries like Vietnam and Bangladesh enjoy an advantage as they are beneficiaries

of the Generalised System of Preferences (GSP) scheme.

"India and the EU decided to try and quickly conclude an early harvest deal in the backdrop of the increased volatility in the global trading environment due to US President Donald Trump's erratic tariff policies. Since both do significant trade with each other, the deal holds a lot of potential," the source said.

The EU is India's largest trading partner with bilateral trade at \$137.41 billion in FY2023-24. India is the EU's ninth largest trading partner, accounting for 2.4 per cent of the bloc's total trade in goods in 2024.

CBAM CONCERNS

New Delhi's concerns around the EU's Carbon Border Adjustment Mechanism (CBAM), which could lead to imposition of taxes of 20-35 per cent on carbon intensive goods including steel, aluminium, cement and fertilisers from next year, may not get fully addressed in the interim deal.

"The UK did not address India's concerns around CBAM in the FTA. The EU, too, does not seem to be inclined to do so," an industry source said.