

“This is not just a trade agreement. This is a new blueprint for shared prosperity” **Narendra Modi**, Prime Minister

“We delivered the mother of all deals. We are creating a market of two billion people” **Ursula von der Leyen**, European Commission President

India, EU unlock trade corridors with FTA

> 99.5% OF INDIAN EXPORTS BY VALUE TO SEE LOWER TARIFFS > MAJOR BOOST FOR STUDENT AND WORKFORCE MOBILITY

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New Delhi, 27 January

India and the European Union (EU) on Tuesday announced a much-awaited trade deal, drawing the curtain on nearly two decades of stop-start negotiations and binding together two billion people in a combined market worth more than \$24 trillion. Under the free-trade agreement (FTA), Brussels has agreed to tariff liberalisation on 99.5 per cent of goods imported from India by value, covering 96.8 per cent of its tariff lines, while New Delhi will liberalise tariffs on 97 per cent of goods imported from the 27-nation bloc, spanning 92.1 per cent of its tariff lines — making it one of the most far-reaching trade pacts.

The agreement is set to provide a significant boost to India's labour-intensive sectors such as textiles, footwear, fisheries and pharmaceuticals, while European exporters stand to gain in agri-food, machinery, medical devices and automobiles.

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“...We should be able to celebrate coming into force of this agreement within 2026 itself”



Piyush Goyal, Commerce and Industry Minister

A WIN-WIN DEAL

What India gets

Near-total EU market access: 99% of export by value duty-free (96.8% of tariff lines)

Immediate gains: 70.4% of tariff lines (90.7% of exports) duty-free from day one; key sectors include marine products, gems & jewellery, electronics, leather & footwear, textiles, chemicals, rubber, and toys

Phased liberalisation: 20.3% of tariff lines reach zero duty in 3-5 years (select marine and processed foods)

Limited concessions: 6.1% get partial cuts or quotas (poultry, preserved vegetables, bakery, cars, steel, select shrimp)

Services opening: Commitments across 144 subsectors, including IT/ITeS, professional, education, and business services

Mobility gains: Assured temporary entry for business visitors, intra-corporate transferees, and independent professionals

Corporate mobility: Easier movement for employees (and dependents) of Indian firms in the EU

EXCLUSIONS: Sensitive EU sectors excluded: beef, sugar, ethanol, rice, poultry
No CBAM exemption



PHOTO: PTI

Prime Minister Narendra Modi (centre) with European Council President Antonio Costa (left) and European Commission President Ursula von der Leyen in New Delhi

Biggest gainers

Zero tariffs once fully implemented (figures in brackets: current tariff in %)

Marine products (26); leather & footwear (17); chemicals (12.8); textile and apparel (12); furniture & light consumer goods (10.5); base metals (10); railway, aircraft & ships (7.7); toys (4.7), sports goods (4.7); and gems & jewellery (4)

The trade scenario

The EU is India's largest trading partner; India is the EU's 9th-largest

Goods trade (FY25): \$136.53 bn

■ India's exports: \$75.85 bn

■ India's imports: \$60.68 bn

Key exports: Machinery, chemicals, base metals, mineral products, textiles.

Key imports: Machinery, transport equipment, chemicals.

Services trade (2024): \$83.10 bn

What the EU gets

Wide tariff coverage: 92.1% of tariff lines (97.5% of exports)

Immediate cuts: 49.6% of tariff lines duty-free at entry into force

Phased cuts: 39.5% eliminated over 5, 7, and 10 years

Sensitive products: 3% under partial cuts; quotas for apples, pears, peaches, kiwi

Auto: Car tariffs fall from 110% to as low as 10% (quota: 250,000 units); auto parts duty-free in 5-10 years

Industrial goods: Major cuts on machinery (up to 44%), chemicals (22%),

pharmaceuticals (11%), vegetable oils (up to 45%)

Agri-food: Processed food tariffs (up to 50%) reduced to zero

Wine: Tariffs cut from 150% to 20% (premium) and 30% (mid-range)

Services access: Entry into India's services market, including financial and maritime services

EXCLUSIONS

India protects sensitive sectors: Dairy, cereals, poultry, soymeal, select fruits & vegetables

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First comprehensive defence and security pact for India, EU

India and the EU have signed a first-of-its-kind overarching defence and security partnership aimed at deepening cooperation across maritime security, the defence industry, and technology.

■ **Luxury cars likely to get cheaper**

■ **Deal seeks to reduce strategic dependencies**

■ **One-stop hub to aid movement of skilled professionals to EU**

EDIT A big deal

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Its timing is crucial. India is looking to secure a heavy-weight export market as its manufacturers confront the impact of a 50 per cent tariff imposed by the United States. For the EU, the deal opens greater access to a fast-growing economy at a time when its own trade ties with Washington are increasingly strained.

The conclusion of the talks was announced by Prime Minister Narendra Modi, alongside the visiting president of the European Council, Antonio Costa, and the president of the European Commission, Ursula von der Leyen. Both sides also unveiled a comprehensive strategic agenda for the next five years, a security and defence partnership, and memoranda of understanding on a comprehensive framework on co-operation on mobility and green hydrogen task force.

Once the deal comes into force -- expected later this year or early 2027 -- it will become India's eighth trade agreement in the past five years. Since 2021, New Delhi has signed seven such pacts, three of them -- with the United Kingdom, Oman and New Zealand -- finalised in 2025 alone.

Under the EU deal, New Delhi will cut duties to zero on about 30 per cent of the value of bilateral trade from the day the agreement takes effect, with coverage expanding in phases to 93 per cent of trade value over a decade. The European bloc, meanwhile, will remove tariffs on 90 per cent of Indian exports from day one, with the remainder phased out over seven years.

Prime Minister Modi described the agreement as the biggest free-trade pact India has ever concluded. "This is not just a trade agreement. This is a new blueprint for shared prosperity," Modi said. Taken together, India and the EU account for about 25 per cent of global GDP and roughly one-third of international trade, estimated at around \$33 trillion. The European Commission president hailed the outcome as "the mother of all deals".

Union Commerce and

Long time in the making

■ Talks launched in 2007; stalled in 2013 after 15 rounds.

■ Negotiations resumed in May 2021; re-launched in June 2022.

■ Conclusion announced on January 27

Way forward

■ Legal scrubbing and translation into all EU official languages.

■ European Commission proposal to the Council for signature and conclusion.

■ Signature by India and the EU, followed by European Parliament consent.

■ Council decision on conclusion

■ Ratification by India and entry into force thereafter

IN A MAJOR CONCESSION, INDIA HAS ALSO AGREED TO ALLOW MARKET ACCESS TO EUROPEAN ELECTRIC VEHICLES ON A QUOTA BASIS AFTER FIVE YEARS OF THE DEAL COMING INTO FORCE, GIVING DOMESTIC MANUFACTURERS TIME TO SCALE UP

Industry Minister Piyush Goyal said the agreement had been carefully calibrated to reflect differences in economic development. "We have tried to address the asymmetry in economic development between the two nations with different per capita incomes, with transitional periods, but ultimately focusing on the complementary strengths of both economies, such that all 28 countries (including India) will stand to benefit collectively," he said at a briefing on Tuesday.

Government officials pointed out that despite the EU's average tariff being relatively low, at around 4 per cent, Indian exporters are poised to gain substantially in sectors such as marine products, apparel, gems and jewellery, chemicals, leather, plastics and rubber, furniture, home décor and base metals. The bloc currently levies import duties of more than 10 per cent on most of these product categories.

The 27-member bloc is also expected to benefit significantly from the depth of market access India has offered, which officials say goes beyond what New Delhi has extended to any other trading partner. While India's simple average most-favoured-nation tariff stands at about 16 per cent, import duties in sensitive categories such as alco-

hol and automobiles exceed 100 per cent. The European Commission said India had agreed to grant tariff reductions that "none of its other trading partners have received", dramatically improving access for European exports.

Tariffs will be lowered in phases, with quota-based systems in place for sensitive sectors including automobiles, agriculture and steel. In the politically sensitive automobile sector, India has agreed to a quota mechanism under which duties on cars will be reduced from 110 per cent to 10 per cent, within an annual quota of 250,000 vehicles.

In the first year, tariffs will fall to 30-35 per cent. Imports in mass-market segments -- cars retailing up to ₹25 lakh -- will be capped to protect domestic manufacturers, while higher quotas will apply to premium vehicles, where local production is limited. No duty cuts will be offered beyond these quotas, a move aimed at encouraging manufacturing in India. For every car quota granted to the EU, India will receive 2.5 times the access for its own exports.

In a major concession, India has also agreed to allow market access to European electric vehicles on a quota basis after five years of the deal coming into force, giving domestic manufacturers time to scale

up.

Explaining the rationale behind the tariff structure, Goyal said Europe's interest lay largely in higher-end automobiles, noting that EU manufacturers do not produce cars priced below €15,000-€20,000, while India specialises in smaller and more affordable models. "We've been able to come to a very amicable understanding where the auto industry in Germany is very happy getting greater market access in a phased manner in areas of real interest, while Indian industry is very happy that we've been able to protect their areas of interest in the smaller and low cost automobile sector," Goyal told reporters.

A similar approach has been adopted for wine, another key EU export. India's steep 150 per cent import tariff on wine will be cut to 75 per cent when the agreement enters into force and gradually reduced to as low as 20 per cent for premium wines and 30 per cent for mid-range varieties. Tariffs on spirits and beer will fall to 40 per cent and 50 per cent respectively.

According to the European Commission, the agreement removes or reduces often prohibitive tariffs -- averaging more than 36 per cent -- on EU agri-food exports, opening what Brussels describes as a massive market for European farmers. At the same time, sensitive European agricultural sectors such as beef, sugar and rice will not be liberalised. India, too, has protected key domestic sectors, including dairy, cereals, poultry, soymeal and certain fruits and vegetables, seeking to balance export growth with domestic priorities.

One of the toughest issues in the negotiations was the EU's carbon border adjustment mechanism (CBAM), which came into force on January 1. Brussels was unwilling to offer country-specific exemptions, officials said, but India has secured a commitment that any flexibility extended to other countries will also apply to it.

A technical group will also be set up to help Indian companies verify carbon data and better understand EU rules.

This could allow India's future carbon pricing system to be recognised, potentially avoiding double taxation.

In services, the EU has opened 144 sub-sectors, while India has opened 102, reflecting efforts on both sides to accommodate each other's priorities.

The agreement also includes commitments on student mobility, with New Delhi securing some assurances on post-study work visas. The India-EU FTA provides a facilitative and predictable framework for business mobility covering short-term, temporary and business travel in both directions.

European companies will gain privileged access to India's services market, including key areas such as financial and maritime services. The European Commission said the pact contains India's most ambitious commitments on financial services in any trade agreement, going beyond concessions offered to other partners.

The agreement spans 21 chapters, covering areas such as technical barriers to trade, intellectual property rights, subsidies, anti-fraud measures and rules of origin. Negotiations on investment liberalisation in non-services have been dropped for now, but both sides have agreed to continue talks and aim to conclude them within two years of the deal entering into force.

Legal scrubbing of the text is under way, government officials said, with the aim of completing the process and signing the agreement within the next five to six months.

The Delhi-based think tank Global Trade Research Initiative described the India-EU FTA as a commercially significant deal that locks in deep tariff cuts and strengthens access to one of the world's richest markets, particularly for India's labour-intensive exports, while gradually opening India to European wines, automobiles and industrial goods. "Strategically, it anchors India-EU economic ties in a more predictable, rules-based framework at a moment of global trade fragmentation," it said.