India-EU FTA: Farm, 'Make in India' need guardrails

Keeping the dairy sector out is good news; domestic reforms are vital for manufacturing and MSMEs to leverage the deal

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The conclusion of the India-European Union Free Trade Agreement (FTA) marks one of India's most consequential trade decisions in recent decades, linking the world's fourth-largest economy with the second-largest economic bloc.

Yet, beneath the headline gains — 99 per cent preferential access for Indian exports, ambitious services commitments, and labour-intensive sectoral boosts — lie critical questions, particularly for Indian agriculture, the dairy sector, and the long-term trajectory of the 'Make in India' programme. The FTA is best understood not as an unqualified triumph, but as a calibrated compromise that demands vigilant implementation.

Indian agriculture stands to gain selectively from the agreement. Enhanced access to tea, coffee, spices, fruits, vegetables, and processed foods could significantly improve export competitiveness, especially for high-value and niche products. The EU's large consumer base, premium pricing, and preference for traceability-driven supply chains offer Indian agribusiness an opportunity to move up the value ladder rather than remain a bulk exporter.

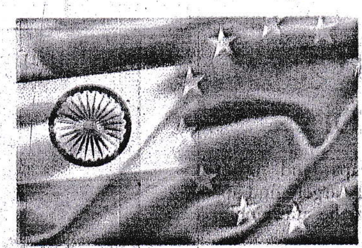
However, the gains are structurally uneven. The EU's agricultural sector is among the most heavily subsidised globally under the Common Agricultural Policy (CAP). Even with tariff liberalisation, Indian farmers face formidable non-tariff barriers — stringent sanitary and phytosanitary (SPS) standards, residue limits, carbon footprint compliance, and sustainability certifications, which may impact small and marginal farmers more.

NON-TARIFF BARRIERS

The agreement's promise to address non-tariff barriers through regulatory cooperation is welcome, but experience suggests that regulatory asymmetry often persists despite formal commitments. India's decision to exclude dairy, which supports over 80 million households, from market access commitments is perhaps the most politically and economically prudent aspect of the FTA.

Yet, this safeguard should not be mistaken for permanent insulation. Trade agreements increasingly exert indirect pressures through regulatory harmonisation, sustainability norms, and future review clauses. Over time, India may face demands to align animal welfare, carbon, and food safety standards with EU benchmarks — standards that could raise costs for small producers unless backed by public investment.

The real challenge, therefore, is not protection alone, but domestic reform: improving productivity, cold-chain infrastructure, value-added dairy exports, and branding of indigenous products. Strategic insulation must be paired with long-term competitiveness, lest dairy become a future bargaining chip in subsequent negotiations.



EU-INDIA. Landmark deal ISTOCK

The FTA is explicitly framed as supportive of the Make in India initiative, and in several respects, it is. Preferential access for Indian manufacturing — textiles, leather, engineering goods, and gems and jewellery — can incentivise domestic production for EU markets. Integration into European value chains may also facilitate technology transfer and quality upgrading.

However, the agreement's calibrated auto liberalisation reveals a structural tension. While EU automobile access is quota-based and limited to higher-end vehicles, it could gradually reshape India's market dynamics. Without parallel strengthening of domestic component ecosystems, MSME suppliers, and R&D capabilities, there is a risk that India becomes a high-value import market rather than a manufacturing hub.

Moreover, the emphasis on services and skilled mobility — while a clear strength for India — could inadvertently reinforce a dual-track economy: globally competitive services alongside a manufacturing sector still struggling with scale, logistics, and compliance costs. The India–EU FTA reflects India's evolving trade philosophy: selective openness with strategic safeguards. By protecting dairy, limiting sensitive agriculture, and sequencing liberalisation, India has avoided the pitfalls of premature exposure. At the same time, the agreement locks India into high-standard trade disciplines on sustainability, digital trade, and carbon regulation, particularly through CBAM-related provisions.

Whether this proves transformative or constraining will depend less on the text of the FTA and more on India's domestic preparedness — institutional capacity, farmer support systems, MSME upgrading, and regulatory agility.

For agriculture and dairy, the FTA offers opportunity tempered by caution. For Make in India, it provides scale — but only if matched by domestic reform.

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